

**LOCAL AGENCY FORMATION COMMISSION**

455 COUNTY CENTER, 2ND FLOOR • REDWOOD CITY, CA 94063-1663 • PHONE (650) 363-4224 • FAX (650) 363-4849

April 18, 2007

To: Members, Formation Commission

From: Martha Poyatos, Executive Officer

Subject: LAFCo File 07-05--Consolidation of Half Moon Bay Fire Protection and Point Montara Fire Protection Districts

Summary

This proposal was submitted by joint resolution of the Boards of Directors of the Half Moon Bay Fire Protection District and Point Montara Fire Protection District. The proposal consists of an application to consolidate the Districts to create the Coastside Consolidated Fire Protection District. Government Code Section 56853 sets forth that if a majority of the members of each of the legislative bodies of two or more local agencies adopt substantially similar resolutions of application, the Commission shall approve, or conditionally approve the proposal without an election. Section 57081 provides that no election shall be held unless in a subsequent protest process, LAFCo receives valid written protest by 25% or more landowners or registered voters in the subject territory.

The territory included in the consolidation proposal is inhabited as defined in Government Code Sections 56046 with a population of approximately 25,147 residents¹, of whom 14,251² are registered voters. The attached map illustrates the current boundaries of the districts. The consolidated district will include the combined service area of the districts, which includes the City of Half Moon Bay, the urbanized unincorporated midcoast communities of El Granada, Moss Beach, Montara, Princeton by the Sea, and surrounding areas designated as rural. The assessed valuation is \$3,957,958,217. The consolidation is categorically exempt from the California Environmental Quality Act (CEQA) because it does not change the geographical boundaries in which previously existing powers are exercised (Section 15320).

¹ The Census 2000 population of Half Moon Bay Fire Protection District is 20,244 and the Census 2000 population of Point Montara Fire Protection District is 4,903.

² As of 4/17/07 HMBFPD is 10,792 and PMFPD is 3,459 (SMC Elections)

The Districts have received fire protection service as a single service area since 1998 via a contract in which Half Moon Bay Fire Protection District has served Point Montara Fire Protection District. In 2005, LAFCo conducted a municipal service review and determined that the area included in both districts represents a single service area and, given the geographic separation of the study area from the facilities of other fire service providers in the County, the area is best governed by a consolidated fire district. The District Boards subsequently jointly developed a plan for consolidation. Staff recommends approval with conditions as outlined in this report.

Background

On October 30, 2006, the HMBFPD and PMFPD Governing Boards adopted a joint resolution of application to consolidate the districts pursuant to the Cortese Knox Hertzberg Act of 2000. The proposal area is illustrated on the attached map. HMBFD consisting of a five-member board and reorganized in 1965³ serves a population of 20,244. HMBFPD includes 36 square miles and two stations with the headquarters at Station #40, 1191 Main Street at the south end of City of Half Moon Bay and the Station #41 at 531 Obispo Road, El Granada. PMFPD, consisting of a three-member board and formed in 1954 serves a population of 4,903. PMFPD includes 10 square miles and with Station #44 located at 501 Stetson, Montara. The enabling legislation for both fire districts is Health and Safety Code Section 13800 et seq.

The application states the reason for the consolidation is to provide more cost-effective and efficient services to the shared service area of the two districts, and to realize cost savings from shared fire services, governance and administration. The application notes that consolidation has been of policy interest for some time and the districts have been operationally consolidated since July 8, 1998 when HMBFPD began providing services by contract to PMFPD. Since that time the uncertainty of continuance of the contractual arrangement adversely affected long range planning for hiring, facilities planning and budgeting.

³ HMBFD was originally established in 1879 and became a district in 1923.

Sphere of Influence & Land Use

The proposed Sphere of Influence for the Coastside Consolidated Fire Protection District will be coterminous with the existing boundaries of the current Districts, a service area of 46 square miles. Land use issues will continue to be decided by the County of San Mateo and the City of Half Moon Bay. After consolidation, the consolidated district will continue to review subdivision and building plans for compliance with fire and life safety code requirements before approval.

Assessed Valuation

The Half Moon Bay Fire Protection District is responsible for providing fire protection and emergency medical services in the City of Half Moon Bay and surrounding areas as shown on the attached map. According to the 2006/2007 report of assessed valuation from the County Controller's Office, the HMBFPD protects property with a total assessed valuation of \$3,125,478,155. The PMFPD is responsible for providing fire protection and emergency medical services in unincorporated Montara and surrounding areas. According to the report of assessed valuation from the County Controller's Office, the PMFPD protects property with a total assessed valuation of \$832,480,062. The total assessed valuation for the proposed consolidated district would be \$3,957,958,217.

Budget

The current fiscal year budgets for the two districts reflect combined revenues/funding of \$8,949,904 and combined expenditures of \$8,949,904. The Districts also submitted a draft preliminary budget for the 2007/08 fiscal year modeled after the current fiscal year for the consolidated districts (attached) and summarized below.

Draft Budget Consolidated District	2007/2008
Property Tax	7,558,760
Benefit Assessment (Montara Zone)	353,232
Benefit Assessment (HMB zone)	273,508
Revenue Other	471,387
Subtotal Revenues	8,656,887
Fund Balance	307,025
Total Funding	\$8,963,912
Salaries & Benefits	6,459,203
Services & Supplies	871,126
Interest on Long Term Debt	16,575
Subtotal	\$7,346,904
Contingencies	175,000
Total Operating Budget	\$7,521,904

Because the Districts have operated by contract with personnel of HMBFPD and one chief, much of the savings that is typically realized by consolidation has been achieved through the contract. Future budget savings will be realized in areas such as professional memberships, elections, accounting, legal services and board compensation in future years. After successful consolidation, the disposition of all assets of the two districts would accrue to the consolidated district.

Fire Station Staffing

The current authorized full-time paid department staffing level of HMBFPD is 39. The current authorized full-time paid department staffing level of PMFPD is 10.1 Both Districts utilizes volunteer firefighters to augment full-time paid personnel including 15 volunteers at HMBFPD and 12 volunteers at PMFPD.

The HMBFPD includes two fire stations and PMFPD has one, each of which are staffed by trained professional full-time fire fighters including captain, paramedic firefighter and firefighter. Service also includes one dedicated ambulance, staffed with Paramedic personnel. The application states that the current level of service will continue with each shift including 3 captains, 3 Paramedic firefighters and 3 firefighters. Supervision and management of the shift is the responsibility of Division Chief or an Acting Shift Supervisor. Paid staff will also be supported by volunteers.

Proposed Contract with CalFire

As a separate action from the consolidation application, in an effort to control operation costs, Boards of both Districts requested and considered proposals for fire protection from other agencies and voted to contract with California Department of Forestry (CalFire, formerly known as CDF). The proposed contract provides that current employees of the Districts would become employees of the State of California and continue to work in the service area, receiving the same annual salaries with State of California benefits. Because CalFire employs a 72-hour shift versus the 56-hour shift utilized by local agencies, overall payroll costs are lower with CalFire presenting a savings in the contract alternative. However, since the Boards took this action, the contract with CalFire is being challenged with an effort to place the matter on the ballot. While whether the existing Districts or consolidated district is served by directly hired employees or contract services does have budget implications, the contract is not part of the Commission's consideration of the consolidation application. However, a result of consolidation would be that any existing or pending contracts would succeed to the consolidated district.

Retirement System

District employee's retirement benefits are covered by contracts with the California Public Employees Retirement System (PEERS). The consolidated district will continue to participate in PERS and as part of the consolidation District representatives are working with PERS contract analysts.

Emergency Communications, Dispatching, Mutual/Automatic Aid

In San Mateo County, fire agencies participate in the San Mateo County Pre-hospital Emergency Services Joint Powers Authority (ALS-JPA), the San Mateo Operational Area Emergency Services JPA and the Fire Net Six providing centralized dispatch and a move-up-and-cover plan to ensure that systematic fire station coverage is provided during periods of increased service demand. This arrangement would continue after consolidation.

Debt Obligations

As reported in the June 2006 Financial Statements, in order to purchase the El Granada Fire Station, HMBFPD issued a line of credit of \$436,500 with monthly interest of 5.25%. The line matures February 1, 2011 and principal is due in one single installment on that date. As reported in the June 2006 Financial Statements for PMFPD, the District had no long-term debt.

Assets

As reported in the June 2006 Financial Statements for HMBFPD, District assets (land, buildings, improvements, machinery and equipment) totaled \$3,625,883 after depreciation. As reported in the June 2006 Financial Statements for PMFPD, District assets (land, buildings, improvements, machinery and equipment) totaled \$834,470 after depreciation.

ISO Rating

ISO is an independent organization that analyzes fire protection efforts and assigns a public protection classification (PPC) of 1 to 10 with 1 representing exemplary fire protection. Criteria for analysis include communications/dispatching system, training, staffing, equipment, geographic distribution of station and water supply system. The ISO rating for HMBFPD is 5. The ISO rating for PMFPD is 5 and 9, depending upon specific areas of service and water supply.

Board of Directors

HMBFPD is governed by a five-member board and PMFPD is governed by a three-member board. Both boards are elected at large. Fire district enabling legislation provides that boards may have three, five, seven, nine or eleven members. With the ultimate

goal of a five-member board governing the consolidated district, the application proposes that consolidation include the attached plan for board of directors to be followed. In summary, the plan provides that at the time of consolidation, one of the eight existing board members would volunteer to step down. If there is no volunteer, a ninth member would be appointed by the consolidated board, with board positions later being eliminated as election terms end until the board composition is reduced to five members.

Comments of Affected Agencies

LAFCo mailed notices and the application to the following affected districts and agencies:

- City of Half Moon Bay
- Coastside County Water District
- Granada Sanitary District
- Montara Water and Sanitary District
- San Mateo County Harbor District
- Midpeninsula Regional Open Space District
- San Mateo County Resource Conservation District
- San Mateo County Office of Education
- Cabrillo Unified School District
- County of San Mateo

LAFCo also published 21 day notice in the San Mateo Times and Half Moon Bay Review. To date LAFCo received no substantive comment on the consolidation application.

Discussion and Recommendation

The majority of activities, operations, resources and capabilities of the Districts have already been consolidated via contract resulting in savings that are typically achieved through consolidation. However, uncertainty in the renewal of the contract limited the ability to plan in the long term for staffing and resource allocation. Therefore long-term advantages of consolidation represent stability in both planning for staffing and operational needs and allocating resources on a regional district-wide basis as well as future savings in administrative costs.

Appropriations Limit

Per Section 56842.5 of the Government Code, LAFCo is authorized to set the appropriations (Gann) limit for the reorganized district. Article XIII B of the California Constitution, is used to determine spending, or appropriations (monies that can be spent from state tax proceeds) for local government and agencies are required to determine the appropriations limit applicable each year. This calculation is based on several factors including assessed property values, population growth, and construction activity. Staff recommends that the appropriations limit for the consolidated district be set at \$9,042,619.30, the combined total of the existing district's appropriations limits for 2006-2007.

Property Tax and Benefit Assessments

There will be no increase or decrease in property tax revenue and property tax paid by the taxpayer will not change due to the consolidation because Proposition 13 limited property tax to 1% of assessed value and subsequent legislation which established the tax rate for each special district. While the tax rate varies from tax rate area to tax rate area within a district, HMBFPD receives approximately 19% of the 1% property tax and PMFPD receives approximately 16% of the 1% property tax. These rates were based primarily on what taxes an agency was levying before Proposition 13. In consolidation, property tax revenue within each tax rate area is pooled to the new district. For purposes of property tax allocation, a consolidated district receives the combined property tax revenue of the two consolidating districts.

Both Districts have special benefit assessments, which are assessed annually at \$160.00/parcel in PMFPD and \$35.00/parcel in HMBFPD. The application states that assessments will continue to accrue to the consolidated district accounted for in zones and apportioned based on overhead and service costs.

ERAF

In 1992, State legislation was enacted creating the Education Revenue Augmentation Fund (ERAF) that required counties, cities and special districts to transfer a percentage of property taxes to ERAF to fund schools, reducing the State's obligation. Just

as each agency was allocated a share of the 1% property tax after Proposition 13, in 1992 agencies were assigned an ERAF contribution rate. The County Controller administers ERAF and the Controller will calculate the ERAF rate of the consolidated district that will reflect the combined dollars currently transferred.

Sphere of Influence

The recommended sphere of influence for the consolidated district is coterminous with the exterior boundaries of the existing districts. This action is consistent with service review determinations adopted by LAFCo in May 2005 (attached). Government Code Section 56425 specifies that in determining the sphere of influence of each local agency, the commission shall consider and prepare a written statement of its determinations with respect to each of the following:

- (1) The present and planned land uses in the area, including agricultural and open-space lands.
- (2) The present and probable need for public facilities and services in the area.
- (3) The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide
- (4) The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.

The following summarizes recommended sphere considerations in reaffirming the district's sphere.

- (1) **The present and planned land uses in the area, including agricultural and open-space lands.**

Lands uses within the consolidated districts boundaries including various residential, commercial, agricultural and open space land use designations are under the jurisdiction of the County of San Mateo and City of Half Moon Bay. Viability of open space or agricultural lands is not affected by inclusion in the District sphere of influence.

- (2) The present and probable need for public facilities and services in the area.

The present and future needs for fire protection as currently provided by the Districts proposed for consolidation are expected to continue with additional demand for service as development occurs.

- (3) The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.

Fire service proposed for the consolidated district is consistent with existing service levels utilizing existing stations constructed specifically to serve the area. Consolidation will facilitate long-range planning and resource allocation for fire protection in the sphere boundaries.

- (4) The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.

The territory and communities included in the Half Moon Bay and Point Montara Fire Protection District boundaries includes the urbanized Midcoast and City of Half Moon Bay along with adjacent rural lands. The area is geographically separated from the boundaries and facilities of there fire protection agencies.

California Environmental Quality Act (CEQA)

The proposed project involves the consolidation two districts having identical powers, where changes do not alter the geographical area in which previously existing powers are exercised. Based on Section 15320(b), Class 20, this project is exempt from the provisions of the California Environmental Quality Act.

Conclusion and Recommended Action

The proposed consolidation formalizes a unified service delivery pattern implemented by contract since 1998 and addresses the well-recognized fiscal challenge faced by small fire agencies in California. Consolidation creates both logical boundaries and a service area that will facilitate regional, long-range fiscal and operational planning for fire protection for Half Moon Bay, the Midcoast and surrounding areas. The municipal service review completed by the Commission indicated that operations, resources, and service area of the two districts lend themselves to the consolidation. Because service has been consolidated under contract, many savings typically realized by consolidation have already been realized through the contract. The consolidation appears to be in the best interest of the fire districts and the communities they serve.

A resolution to consolidate submitted jointly by the District Boards does not permit the Commission the authority to deny the proposal. LAFCo does have the authority to set conditions pursuant to Section 56844. Conditions are included following recommended actions below.

The Board of Directors of the two fire districts have determined that it is in the best interests for the future provision of fire protection service within their communities to consolidate into a single district. Once approved by the Commission, LAFCo will schedule a protest hearing that is a non-discretionary process governed by Section 57000 and absent 25% protest the consolidation would be completed. Based on LAFCo analysis, the proposed consolidation is supported by the municipal service review determinations, past practice of contracting for service and resources available, and conforms to both the Government Code and Health and Safety Code. Staff recommends approval of this project with the conditions included below and any others that may be appropriate.

Recommended Actions:

1. Find that the consolidation is exempt from the California Environmental Quality Act (CEQA) because it does not change the geographical boundaries in which previously existing powers are exercised (15320).

2. Adopt the recommended sphere of influence determinations contained in this report and adopt a sphere of influence for the consolidated district that is coterminous with the combined boundaries of HMBFPD and PMFPD.
3. Approve the consolidation of the Half Moon Bay Fire Protection District and Point Montara Fire Protection District creating the Coastside Consolidated Fire Protection District with the following conditions:
 - a) The effective date of the reorganization shall be July 1, 2007, or the first day of the subsequent fiscal quarter thereafter.
 - b) The name of the consolidated district shall be the COASTSIDE CONSOLIDATED FIRE PROTECTION DISTRICT.
 - d) All assets, revenues, funds on deposit (including impact and/or developer fees held by the County of San Mateo), liabilities for payment of principal and interest on contractual obligations for real property, furnishings and equipment, fire fighting apparatus and equipment, operating expenses, supplies, licenses and permits, and any contingent liabilities for existing civil litigation of both districts shall accrue to the consolidated district.
 - e) Agreements for service or regulating wages, benefits, and working conditions, in effect for the Half Moon Bay Fire Protection District or Point Montara Fire Protection District at the time of the consolidation shall be followed as adopted until such time that a contract for service with CalFire or other agency is implemented.
 - g) Pursuant to Government Code Section 56844(t), Fire Suppression Assessment Fee currently collected by the Half Moon Bay Fire Protection District and the Point Montara Fire Protection District in their respective service areas shall continue to be assessed and collected in the currently affected area after the consolidation in zones of benefit.
 - h) Gann Limit: The provisional appropriations limit for the consolidated district shall be \$9,042,619.30.

- i) Employees Generally: As of the effective date of the consolidation, all of the Half Moon Bay Fire District and Point Montara Fire Protection Districts employees shall become employees of the consolidated district and shall maintain their seniority (date of initial hire) and their promotion date by rank which existed on the consolidation's effective date. These provisions shall not limit the authority of the Fire Chief or the Board of Directors of the consolidated district to exercise its management rights of assignment, reassignment and/or transfer.

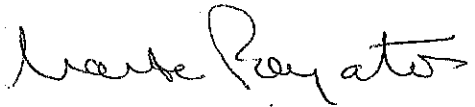
- j) Leave Balances: The following leave balances of employees of the Half Moon Bay Fire Protection District and Point Montara Fire Protection District shall accrue as employees of the consolidated district:
 - (1) Accrued but unused sick leave; and
 - (2) Accrued but unused Vacation, PTO, Holiday, Administrative and Compensatory Time Off

- k) Board Composition and Election: Bylaws of the consolidated district shall incorporate the board composition plan contained in the application that results in a five-member board of directors, including that upon consolidation if one of the eight existing board members does not volunteer to step down a ninth member would be appointed by the consolidated board, with board positions later being eliminated as election terms end until the board composition is reduced to five members. Board members shall be large.

- 1) Between the date of adoption of the Resolution approving consolidation and the effective date of the reorganization, neither District will do any of the following without majority approval of the Board of Directors of both entities unless the action has been provided for in the adopted budget:
 1. Approve any discretionary changes in employees' compensation, promotions, or permanent assignments. Vacancies may be filled for positions budgeted in the 2006/2007 budget.
 2. Purchase or dispose of fixed assets or amend existing contracts.

5. Delegate conducting authority proceedings to the Executive Officer pursuant to Government Code Section 57000 [c].

Respectfully submitted,



Martha Poyatos
Executive Officer

APPLICATION FOR A CHANGE OF ORGANIZATION OR REORGANIZATION TO THE
SAN MATEO COUNTY
LOCAL AGENCY FORMATION COMMISSION

A. GENERAL INFORMATION

1. Briefly describe the nature of the proposed change of organization or reorganization.

Reorganization of Half Moon Bay Fire Protection District and the Point Montara Fire Protection District involving the consolidation of the two districts by forming the Coastside Fire Protection District. Some historical and related information is presented in Attachment A.

2. An application for a change of organization or reorganization may be submitted by individuals in the form of a petition or by an affected public agency in the form of a certified resolution. This application is submitted by (check one):

 Landowners or registered voters, by petition
 X The affected public agencies, by joint resolution

(If this application is submitted by petition of landowners or registered voters in the affected territory, complete the petition form.)

3. What are the reasons for the proposal?

To provide more cost-effective and efficient services to the shared service area of the two districts, and to realize cost savings from shared fire services governance and administration.

4. Does this application have 100% consent of landowners in the affected area?

 Yes X No

5. Estimated acreage: 47.5 square miles

B. SERVICES

1. List the name or names of all existing cities and special districts whose service area or service responsibility would be altered by the proposed change of organization or reorganization.

Point Montara Fire Protection District
Half Moon Bay Fire Protection District

2. List all changes to the pattern of delivery of local services to the affected area. For each service affected by the proposed change(s) of organization, list the present source of service (state "none" if service is not now provided), the proposed source of service and the source of funding for construction of necessary facilities (if any) and operation.

SERVICE	PRESENT SOURCE	PROPOSED SOURCE	FUNDING SOURCES	
			CONSTRUCTION	OPERATING
Fire Protection	PMFPD	Consolidated District	n/a	Prop Tax/Special tax
Fire Protection	HMBFD	Consolidated District	n/a	Prop Tax/Special tax

For all practical, financial, and operational purposes the two districts have been functionally consolidated since 1998 when the PMFPD contracted with the HMBFD for services and administrative and technical support. This consolidation would continue the same level of services to the area (would be defined as two service zones), but would consolidate governance and policy direction. This would result in lower costs for these functions and improved coordination and future services planning.

C. PROJECT PROPOSAL INFORMATION

1. Please describe the general location of the territory which is the subject of this proposal. Refer to major highways, roads and topographical features.

The territory includes all territory currently in the boundaries of Pt. Montara Fire Protection District and Half Moon Bay Fire District. No new territory will be added.

2. Describe the present land use(s) in the subject territory.

Land use designations range from open space, agriculture and public recreation to high density residential, commercial and industrial.

3. How are adjacent lands used?

North: Rural
 South: Rural, Undeveloped
 East: Rural, Undeveloped
 West: Pacific Ocean

4. Will the proposed change of organization result in additional development? If so, how is the subject territory to be developed?

No additional development will be caused by this reorganization, which focuses largely on governance and policy-setting. Additional development is expected to occur in the vicinity of Half Moon Bay, but this is not attributable to this consolidation and is moving

through normal planning, zoning, coastal management, and environmental review processes.

5. What is the general plan designation of the subject territory?

County general plan land use designations range from general open space, agriculture, and public recreation to high density residential, commercial, and industrial.

6. What is the existing zoning designation of the subject territory?

As noted above, land use designations range from open space, agriculture, and public recreation to high density residential, commercial, and industrial.

7. What rezoning, environmental review or development approvals have already been obtained for development in the subject territory?

Not applicable for purposes of this application.

8. What additional approvals will be required to proceed?

LAFCo only.

9. Does any portion of the subject territory contain any of the following --agricultural preserves, sewer or other service moratorium or wetlands subject to the State Lands Commission jurisdiction?

Yes, but the reorganization is not development related, and does not affect and is not affected by such designations.

10. If no specific development projects are associated with this proposal, will the proposal increase the potential for development of the property? If so, how?

The proposed consolidation will not increase the potential for development for the reasons stated. In addition, the existing three fire stations (including future improvements) are deemed sufficient to meet service needs.

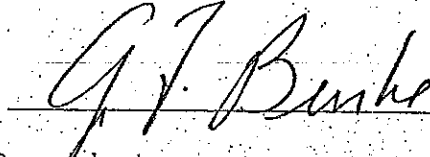
LAFCo will consider the persons signing this application as the proponents of the proposed action.

NAME: Gary Burke, President

ADDRESS: Half Moon Bay Fire Protection District
1191 Main Street, Half Moon Bay, CA 94019

PHONE: (650) 726-5213

Signature of Proponent:



Date:

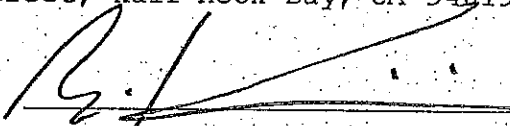
1/22/07

NAME: Bruce McKimmie, President

ADDRESS: Point Montara Fire Protection District
1191 Main Street, Half Moon Bay, CA 94019

PHONE: (650) 726-5213

Signature of Proponent:



Date:

1-22-07

Notices and other communications regarding this application (including fee payments) will be directed to the proponents at:

Half Moon Bay Fire Protection District
1191 Main Street, Half Moon Bay, CA 94019
ATTN: Paul Cole, Acting Fire Chief

Note: Pursuant to Government Code Sections 56700.1 and 81000 et seq. Any person or combination of persons who directly or indirectly contribute \$1000 or more or expend \$1000 or more in support of or opposition to a change of organization or reorganization that has been submitted to the Commission and will require an election must comply with the reporting and disclosure requirements of the Political Reform Act of 1974.

D. AFFECTED PUBLIC AGENCIES

Please complete this section if this application is submitted by resolution of one or more affected public agencies. Certified copies of resolutions listed below must accompany this application.

1. The names and a joint resolution adopted by the agencies applying for the change of organization or reorganization described above are as follows:

<u>Affected Agency</u>	<u>Date Adopted</u>
<u>Half Moon Bay Fire Protection District</u>	<u>October 30, 2006</u>
<u>Point Montara Fire Protection District</u>	<u>October 30, 2006</u>

2. Does this application have 100% consent of landowners in the affected area? Yes No (If yes, include proof of consent.)

PLAN FOR PROVIDING SERVICES

1. Enumerate and describe the services to be extended to the affected territory.

As noted, and as reflected in the Consolidation Plan, this change primarily affects the governance function of the two districts inasmuch as functional, financial, and operational consolidation already exists. The consolidated agency will continue to provide fire protection, emergency medical, fire prevention, rescue, and related services to the current service area from the three existing stations that are staffed by full-time paid firefighters and augmented by volunteers.

2. Describe the level and range of those services.

The current level of service will continue, even with potential new development in the Half Moon Bay Area. The level of services consists of three shifts of paid personnel. The personnel assigned to each shift include 3 Captains, 3 Paramedic Firefighters (min.), and 3 Firefighters. Supervision and management of the shift is the responsibility of a Division Chief or an Acting Shift Supervisor. The paid staff also is supported by volunteers, who operate from the three existing fire stations.

Fiscal Year 2006-07 funded positions (total of 39) include: Fire Chief (1), Division Chiefs (3), Mechanic (1), Administrative Secretaries (2), Administrative Assistant (1), Captains (9), and Firefighters (22). Total volunteer force is 15 (3 Captains and 12 Firefighters).

3. Indicate when those services can feasibly be extended to the affected territory.

The planned consolidation represents the continuation of services to the same area as are now provided.

4. Indicate any improvements or upgrading of structures, roads, sewer or water facilities, or other conditions to be imposed or required within the affected territory.

No capital facility or infrastructure improvements are required to adopt and implement this consolidation. The newly constituted Board of Directors for the consolidated district will have to address future issues related to upgrading two existing fire stations and to replacing apparatus in accordance with the existing plan and schedule. The HMB District recently completed the purchase of the

El Granada station (Station 41) for about \$438,000. The District had been leasing it from the harbor district.

5. Describe financial arrangements for construction and operation of services extended to the affected territory. Will the territory be subject to any special taxes, charges, or fees? (If so, please specify.)

A Year One Consolidated District Budget accompanies this application. The districts are funded by property taxes, benefit assessments, and miscellaneous inspection fees. Cost savings attributable to improved governance and administration can be expected.

In accordance with state law (Fire District Law of 1987, as amended), two service zones will be established within the consolidated district so the special taxes/assessments collected currently in each district will be maintained and accounted for properly. Since the fees are different (\$35.00 and \$160.00 per year respectively), during the interim the Boards of Directors jointly will review, and modify to the extent needed, the formula used annually to apportion the costs of service plus overhead between the two zones. It will be based on the total revenues generated by each service zone, and is expected to closely reflect the current agreement.

It can be anticipated that two fire stations will need improvements in the future.

An overall apparatus and equipment replacement plan exists. No major pieces of equipment will need to be purchased as a condition of this consolidation. Rather, such purchases will be accomplished based on the existing criteria.

6. In as much detail as required to give a clear explanation, explain why this proposal is necessary at this time.

The potential consolidation of the two subject districts has been an item of "policy interest" for some time. The operational elements of the two districts have been essentially consolidated since July 6, 1998 when the Half Moon Bay Fire District began providing fire protection and other services within the Point Montara Fire District's boundaries under contract. Since that date, services have been provided within the Point Montara District by employees of the Half Moon Bay Fire District. In recent years, uncertainty regarding continuance of the contractual arrangement has adversely affected long range planning for hiring, facilities planning, and budgeting.

Because of the contractual relationship, consolidation of the two Districts will not require changes or adjustments in operational methods. However, consolidation will result in a reduction in costs and activities relating to governing and administering the districts through the formation of a single consolidated board and other savings, such as legal counsel and elections. This, in turn will improve consistency and efficiency in the overall policy direction and management of fire and life safety services for the combined service area. Nevertheless, the boards may implement other needed changes concurrently with the consolidation process. Attachment A presents how the two Boards of Directors will be consolidated and evolve into one.

A review of the potential costs of discontinuing the current contractual agreement and operating two fully autonomous agencies indicates that such a move would result in increased costs and decreased operational efficiencies for both districts. Further, the current contractual relationship does not provide the stability necessary to accomplish a reasonable level of long-term planning because the contract can be terminated or allowed to expire. Such termination or expiration would require personnel and equipment reductions on the part of the Half Moon Bay District and the establishment of an entirely new operational structure and administrative procedures for the Point Montara District, and it would have a significant negative impact on the delivery of services to the public.

Therefore, to maintain or improve the current levels of service in the most cost-effective manner, it has been determined that the Half Moon Bay and Point Montara Fire Districts should transition from the current contract relationship to a full consolidation.

Timing is very important. The Boards jointly urge LAFCo to approve this consolidation effective July 1, 2007, or as soon as possible thereafter (but effective on a fiscal quarter {October 1, December 1, etc.})

This section completed on January 15, 2007 by Robert A. Olson, President, Robert Olson Associates, Inc., consolidation planning consultants to the affected districts.

ATTACHMENT A

1. INTRODUCTION

The motivations for, and benefits of, a consolidation of the Half Moon Bay and Point Montara Fire Districts have been thoroughly evaluated by a joint committee (Consolidation Committee) of the respective agencies' Boards of Directors. The Boards have determined that consolidation of the two districts will better serve the residents, businesses, and visitors of both jurisdictions.

The Committee's work is a logical extension of several factors, including recommendations made earlier by others; that, for all practical purposes functional consolidation already has occurred through the Master Service Agreement signed by each district; and the recognition that various economies and other improvements can be achieved by formally consolidating the two fire protection agencies, especially given the administrative, regulatory, training, and other requirements incumbent on modern fire protection agencies.

The operational elements of the two districts have been essentially consolidated since July 6, 1998 when the Half Moon Bay Fire District began providing fire protection and other services within the Point Montara Fire District boundaries under contract. Since that date, all services have been provided within the Point Montara District by employees of the Half Moon Bay Fire District.

2. SUMMARY HISTORIES OF THE TWO DISTRICTS

Half Moon Bay Fire District

The following history is quoted from *Strategic Plan, Half Moon Bay Fire District* (March 2002, with some updated data):

Organized fire protection originally began in the Half Moon Bay Area in 1879. The first firefighters were volunteers and were known as Hose Company No. 1. This informal group had only limited equipment including 300 feet of hose, some buckets and some axes. In 1880 the community took up a collection and purchased a hose cart.

Following a serious fire on Main Street the group became more organized and formed a volunteer fire department. The community at that time decided to fund the department by subscription, rather than by forming a fire district. In 1899 the first "official" meeting of Hose Company No. 1 was held at the IOOF Hall in Half Moon Bay. Later that year funds were allocated to install fire hydrants and to purchase more fire hose. In those early years, the fire equipment was stored in a wooden shed on Kelly Street and the volunteers met at the IOOF Hall. Volunteers were called to action by the ringing of a fire bell. Today, the community's original fire bell is on display at the fire district headquarters.

In 1926, the department was reorganized and a fire protection district was formed. The formation of the fire district provided more reliable funding. The first pumper truck was purchased in 1928 and the hose carts were retired. Eight years later, in 1936, a site for a firehouse was purchased on Main Street and the volunteers constructed the building that would serve as the District's primary fire station for the next 62 years.

The fire district reorganized several times over the years. The reorganization of 1944 added new territory to the jurisdiction which included the coastal area from Martin's Beach in the south to Moss Beach in the north. The year 1944 also saw the first professional firefighters hired by the District. The District was reorganized again in 1965 to comply with provisions of the Fire Protection Law of 1961.

As the population of the fire district grew, the District needed to add another station to service its northern area. An agreement was reached with the San Mateo County Harbor District in 1957 to lease a parcel of land on Obispo Road in El Granada. Shortly thereafter, the District built a substation at that location and staffed it with a single man augmented by volunteers.

In 1970, the District began providing ambulance services to the coastal area of San Mateo County. This continued for about 7 years with financial assistance from a Federal Highway grant and San Mateo County. But with the passage of Proposition 13 [1978] and the expiration of the highway grant, the District was forced to discontinue ambulance service and reduce its workforce.

The late 1990's brought many changes to the Half Moon Bay Fire Protection District. In 1997 the District became a member of San Mateo County Pre-hospital Emergency Medical Services Group, a joint powers authority. This group, which includes all of the fire agencies in San Mateo County, provides advanced life support paramedics on all first response fire engines and the Half Moon Bay Fire Protection District began providing this level of emergency medical services to its residents. Additionally, the District again offered ambulance service, this time with paramedics, under an agreement with American Medical Response, the county's ambulance provider.

On July 6, 1998, the District entered into a Fire Protection Services Agreement with the Point Montara Fire Protection District under which the District provides fire suppression, prevention, rescue, emergency medical response and related services formerly provided directly by Point Montara. Point Montara's eight employees became Half Moon Bay Fire District employees and the District assumed responsibility for Point Montara's fire station, vehicles, and other equipment. [Note: both districts agreed in 2005 to continue the contract during discussions of consolidation.]

Also in 1998 the District moved to its new headquarters fire station at 1191 Main Street. The new facility houses the District's administrative offices and a fire station

facility with living quarters. These two functional areas are separated by five drive-through apparatus bays.

Today, the District serves approximately 30,000 residents in an area of almost 40 square miles. This includes the City of Half Moon Bay and the unincorporated areas of Princeton, Miramar, and El Granada. The communities of Moss Beach and Montara are also protected under the agreement with Point Montara Fire Protection District.

A five-member Board of Directors, elected to four-year terms, establishes policy for the Half Moon Bay Fire Protection District.

The District employs a staff of 43 which includes a Fire Chief, 3 Division Chiefs, a part-time Mechanic, a Fire Inspector, 2 Administrative Secretaries (1 of whom is part time), an Administrative Assistant, 2 Fire Ambulance Technicians, 9 Fire Captains, and 24 Firefighters. Funding has been provided for a total of 27 volunteer firefighters: 15 serving Half Moon Bay and 12 serving Pt. Montara. This group responds to major incidents and provides station coverage when the paid staff are on calls.

The District currently provides three staffed engine companies operating from three fire stations. An ambulance is also staffed, and a second ambulance is available on an "on call" basis. The engine companies and the ambulances are staffed with at least one paramedic firefighter. In addition to traditional fire department services, the district provides cliff rescue, water rescue, and ambulance transport. The District responds to approximately 2600 calls for service each year.

Point Montara Fire Protection District

According to a 1989 summary history:

The Point Montara Fire Protection District is a public corporation formed by the Board of Supervisors of San Mateo County on January 28, 1954, acting on the petition initiated by the Montara-Moss Beach Improvement Association. The first directors were appointed by the Board of Supervisors. Since April of 1954, the directors have been elected to four year terms. There are three members of the board.

The District provides fire suppression, rescue and emergency first-aid services...In addition, the District apparatus and personnel provide mutual-aid response on fires outside the district in areas under the jurisdiction of the California Division of Forestry [Department of Forestry and Fire Protection], and all departments in the San Mateo County. The District owns its own fire station and the land... [See above regarding the July 6, 1998 Fire Protection Services Agreement with the Half Moon Bay Fire Protection District.]

3. BOARD OF DIRECTORS

State law (Health and Safety Code Sections 13800-13970, *Fire Protection District Law of 1987*, as amended) requires (Section 13842) that a "district board may have three, five, seven, nine or eleven members.

The Half Moon Bay Fire Protection District Board of Directors currently consists of five (5) members. The Point Montara Fire Protection District Board of Directors currently consists of three (3) members. Thus, at the time of consolidation of the two districts, there will be eight (8) elected Board members.

The objective is to achieve a consolidated Board of Directors that will contain a total of five (5) members for the newly established Coastside Fire Protection District. The following process has been agreed upon and will be employed to achieve the desired reduction in Board members at the conclusion of the general election of Board members in 2009 (or as soon as possible following approval of the consolidation). Depending on the process, the dates noted may be adjusted.

Step One: At the time consolidation occurs, a request will be made of all existing Board members for a volunteer to step down in order to reduce the size of the consolidated Board from 8 to 7. If no volunteer steps forward, a ninth (9th) Board member will be added to the consolidated Board to satisfy the requirement for an odd number of Board members. The first order of business of the consolidated Board will be to appoint the 9th member to a seat that will expire at the time of the 2007 general election of Board members.

Step Two: At the time of the 2007 election of Board members (November, 2007), four Board seats will expire (5, if the Board was increased to 9 members as discussed above). At this time, 1 previously elected seat (and the appointed seat, if necessary) will be eliminated and elections will be held for 3 positions for four-year terms. This will result in a 7 member Board following the 2007 election (4 incumbents elected in 2005 and 3 elected in 2007).

Step Three: At the time of the 2009 election of Board members (November, 2009), 4 Board seats will expire. Two of these seats will be eliminated and elections will be held for 2 four-year seats. This will result in a 5 member consolidated Board following the 2009 election.

The above process will result in a reduction of Board seats from eight (8) in 2007 (prior to consolidation) to five (5) in 2009. It will also result in the election of either three (3) or two (2) Board members in alternating election years beginning in 2009.

A more detailed description of the duties and responsibilities of the officers of the board will be found in the District By-Laws that will be prepared during the LAFCo process, and which will be ready for adoption by the Coastside Fire Protection District's initial Board of Directors.

Exhibit A

Municipal Service Review Pt. Montara and Half Moon Bay Fire Districts

Determinations pursuant to Government Code Section 56430:

1. Regarding infrastructure needs and deficiencies, the Commission determines:
 - a) PMFD and HMBFD have no significant unmet infrastructure needs essential for fire protection in the study area.
2. Regarding growth and population projections for the affected area, the Commission determines:
 - a) based on current accepted staffing levels and existing automatic aid practice, both PMFD and HMBFD are capable of meeting the service demands of current and projected growth of resident population.
 - b) service demands caused by visitors attending special events and visitor serving facilities will continue to present unique burdens and challenges to District services emphasizing the need for continued automatic aid.
3. Regarding financial constraints and opportunities, the Commission determines:
 - a) HMBFD should pursue amendment of the ambulance contract with of AMR to provide for cost recovery of this service provided by HMBFD and/or examine cost effective alternatives to operation of the ambulance service.
4. Regarding cost avoidance opportunities and shared resources, the Commission determines:
 - a) A fully staffed, single-station district is not a fiscally viable alternative for PMFD.
 - b) The two districts encompass a single fire service area that currently benefits from regional cost avoidance and shared facility practices such as dispatch, training, etc. (56430 #4 and 6)
5. Regarding opportunities for rate restructuring, the Commission determines:
 - a) Opportunities exist for cost recovery through revision of existing fire inspection, plan check and other fees.

**LOCAL AGENCY FORMATION COMMISSION**

455 COUNTY CENTER, 2ND FLOOR • REDWOOD CITY, CA 94063-1663 • PHONE (650) 363-4224 • FAX (650) 363-4849

April 18, 2007

To: Members, Formation Commission

From: Martha Poyatos, Executive Officer

Subject: LAFCo File 07-05--Consolidation of Half Moon Bay Fire Protection and Point Montara Fire Protection Districts

Summary

This proposal was submitted by joint resolution of the Boards of Directors of the Half Moon Bay Fire Protection District and Point Montara Fire Protection District. The proposal consists of an application to consolidate the Districts to create the Coastside Consolidated Fire Protection District. Government Code Section 56853 sets forth that if a majority of the members of each of the legislative bodies of two or more local agencies adopt substantially similar resolutions of application, the Commission shall approve, or conditionally approve the proposal without an election. Section 57081 provides that no election shall be held unless in a subsequent protest process, LAFCo receives valid written protest by 25% or more landowners or registered voters in the subject territory.

The territory included in the consolidation proposal is inhabited as defined in Government Code Sections 56046 with a population of approximately 25,147 residents¹, of whom 14,251² are registered voters. The attached map illustrates the current boundaries of the districts. The consolidated district will include the combined service area of the districts, which includes the City of Half Moon Bay, the urbanized unincorporated midcoast communities of El Granada, Moss Beach, Montara, Princeton by the Sea, and surrounding areas designated as rural. The assessed valuation is \$3,957,958,217. The consolidation is categorically exempt from the California Environmental Quality Act (CEQA) because it does not change the geographical boundaries in which previously existing powers are exercised (Section 15320).

¹ The Census 2000 population of Half Moon Bay Fire Protection District is 20,244 and the Census 2000 population of Point Montara Fire Protection District is 4,903.

² As of 4/17/07 HMBFPD is 10,792 and PMFPD is 3,459 (SMC Elections)

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The Districts have received fire protection service as a single service area since 1998 via a contract in which Half Moon Bay Fire Protection District has served Point Montara Fire Protection District. In 2005, LAFCo conducted a municipal service review and determined that the area included in both districts represents a single service area and, given the geographic separation of the study area from the facilities of other fire service providers in the County, the area is best governed by a consolidated fire district. The District Boards subsequently jointly developed a plan for consolidation. Staff recommends approval with conditions as outlined in this report.

Background

On October 30, 2006, the HMBFPD and PMFPD Governing Boards adopted a joint resolution of application to consolidate the districts pursuant to the Cortese Knox Hertzberg Act of 2000. The proposal area is illustrated on the attached map. HMBFD consisting of a five-member board and reorganized in 1965³ serves a population of 20,244. HMBFPD includes 36 square miles and two stations with the headquarters at Station #40, 1191 Main Street at the south end of City of Half Moon Bay and the Station #41 at 531 Obispo Road, El Granada. PMFPD, consisting of a three-member board and formed in 1954 serves a population of 4,903. PMFPD includes 10 square miles and with Station #44 located at 501 Stetson, Montara. The enabling legislation for both fire districts is Health and Safety Code Section 13800 et seq.

The application states the reason for the consolidation is to provide more cost-effective and efficient services to the shared service area of the two districts, and to realize cost savings from shared fire services, governance and administration. The application notes that consolidation has been of policy interest for some time and the districts have been operationally consolidated since July 8, 1998 when HMBFPD began providing services by contract to PMFPD. Since that time the uncertainty of continuance of the contractual arrangement adversely affected long range planning for hiring, facilities planning and budgeting.

³ HMBFD was originally established in 1879 and became a district in 1923.

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Sphere of Influence & Land Use

The proposed Sphere of Influence for the Coastside Consolidated Fire Protection District will be coterminous with the existing boundaries of the current Districts, a service area of 46 square miles. Land use issues will continue to be decided by the County of San Mateo and the City of Half Moon Bay. After consolidation, the consolidated district will continue to review subdivision and building plans for compliance with fire and life safety code requirements before approval.

Assessed Valuation

The Half Moon Bay Fire Protection District is responsible for providing fire protection and emergency medical services in the City of Half Moon Bay and surrounding areas as shown on the attached map. According to the 2006/2007 report of assessed valuation from the County Controller's Office, the HMBFPD protects property with a total assessed valuation of \$3,125,478,155. The PMFPD is responsible for providing fire protection and emergency medical services in unincorporated Montara and surrounding areas. According to the report of assessed valuation from the County Controller's Office, the PMFPD protects property with a total assessed valuation of \$832,480,062. The total assessed valuation for the proposed consolidated district would be \$3,957,958,217.



Budget

The current fiscal year budgets for the two districts reflect combined revenues/funding of \$8,949,904 and combined expenditures of \$8,949,904. The Districts also submitted a draft preliminary budget for the 2007/08 fiscal year modeled after the current fiscal year for the consolidated districts (attached) and summarized below.

Draft Budget Consolidated District	2007/2008
Property Tax	7,558,760
Benefit Assessment (Montara Zone)	353,232
Benefit Assessment (HMB zone)	273,508
Revenue Other	471,387
Subtotal Revenues	8,656,887
Fund Balance	307,025
Total Funding	\$8,963,912
Salaries & Benefits	6,459,203
Services & Supplies	871,126
Interest on Long Term Debt	16,575
Subtotal	\$7,346,904
Contingencies	175,000
Total Operating Budget	\$7,521,904

Because the Districts have operated by contract with personnel of HMBFPD and one chief, much of the savings that is typically realized by consolidation has been achieved through the contract. Future budget savings will be realized in areas such as professional memberships, elections, accounting, legal services and board compensation in future years. After successful consolidation, the disposition of all assets of the two districts would accrue to the consolidated district.

Fire Station Staffing

The current authorized full-time paid department staffing level of HMBFPD is 39. The current authorized full-time paid department staffing level of PMFPD is 10.1 Both Districts utilizes volunteer firefighters to augment full-time paid personnel including 15 volunteers at HMBFPD and 12 volunteers at PMFPD.



The HMBFPD includes two fire stations and PMFPD has one, each of which are staffed by trained professional full-time fire fighters including captain, paramedic firefighter and firefighter. Service also includes one dedicated ambulance, staffed with Paramedic personnel. The application states that the current level of service will continue with each shift including 3 captains, 3 Paramedic firefighters and 3 firefighters. Supervision and management of the shift is the responsibility of Division Chief or an Acting Shift Supervisor. Paid staff will also be supported by volunteers.

Proposed Contract with CalFire

As a separate action from the consolidation application, in an effort to control operation costs, Boards of both Districts requested and considered proposals for fire protection from other agencies and voted to contract with California Department of Forestry (CalFire, formerly known as CDF). The proposed contract provides that current employees of the Districts would become employees of the State of California and continue to work in the service area, receiving the same annual salaries with State of California benefits. Because CalFire employs a 72-hour shift versus the 56-hour shift utilized by local agencies, overall payroll costs are lower with CalFire presenting a savings in the contract alternative. However, since the Boards took this action, the contract with CalFire is being challenged with an effort to place the matter on the ballot. While whether the existing Districts or consolidated district is served by directly hired employees or contract services does have budget implications, the contract is not part of the Commission's consideration of the consolidation application. However, a result of consolidation would be that any existing or pending contracts would succeed to the consolidated district.

Retirement System

District employee's retirement benefits are covered by contracts with the California Public Employees Retirement System (PEERS). The consolidated district will continue to participate in PERS and as part of the consolidation District representatives are working with PERS contract analysts.

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Emergency Communications, Dispatching, Mutual/Automatic Aid

In San Mateo County, fire agencies participate in the San Mateo County Pre-hospital Emergency Services Joint Powers Authority (ALS-JPA), the San Mateo Operational Area Emergency Services JPA and the Fire Net Six providing centralized dispatch and a move-up-and-cover plan to ensure that systematic fire station coverage is provided during periods of increased service demand. This arrangement would continue after consolidation.

Debt Obligations

As reported in the June 2006 Financial Statements, in order to purchase the El Granada Fire Station, HMBFPD issued a line of credit of \$436,500 with monthly interest of 5.25%. The line matures February 1, 2011 and principal is due in one single installment on that date. As reported in the June 2006 Financial Statements for PMFPD, the District had no long-term debt.

Assets

As reported in the June 2006 Financial Statements for HMBFPD, District assets (land, buildings, improvements, machinery and equipment) totaled \$3,625,883 after depreciation. As reported in the June 2006 Financial Statements for PMFPD, District assets (land, buildings, improvements, machinery and equipment) totaled \$834,470 after depreciation.

ISO Rating

ISO is an independent organization that analyzes fire protection efforts and assigns a public protection classification (PPC) of 1 to 10 with 1 representing exemplary fire protection. Criteria for analysis include communications/dispatching system, training, staffing, equipment, geographic distribution of station and water supply system. The ISO rating for HMBFPD is 5. The ISO rating for PMFPD is 5 and 9, depending upon specific areas of service and water supply.

Board of Directors

HMBFPD is governed by a five-member board and PMFPD is governed by a three-member board. Both boards are elected at large. Fire district enabling legislation provides that boards may have three, five, seven, nine or eleven members. With the ultimate



goal of a five-member board governing the consolidated district, the application proposes that consolidation include the attached plan for board of directors to be followed. In summary, the plan provides that at the time of consolidation, one of the eight existing board members would volunteer to step down. If there is no volunteer, a ninth member would be appointed by the consolidated board, with board positions later being eliminated as election terms end until the board composition is reduced to five members.

Comments of Affected Agencies

LAFCo mailed notices and the application to the following affected districts and agencies:

- City of Half Moon Bay
- Coastside County Water District
- Granada Sanitary District
- Montara Water and Sanitary District
- San Mateo County Harbor District
- Midpeninsula Regional Open Space District
- San Mateo County Resource Conservation District
- San Mateo County Office of Education
- Cabrillo Unified School District
- County of San Mateo

LAFCo also published 21 day notice in the San Mateo Times and Half Moon Bay Review. To date LAFCo received no substantive comment on the consolidation application.

Discussion and Recommendation

The majority of activities, operations, resources and capabilities of the Districts have already been consolidated via contract resulting in savings that are typically achieved through consolidation. However, uncertainty in the renewal of the contract limited the ability to plan in the long term for staffing and resource allocation. Therefore long-term advantages of consolidation represent stability in both planning for staffing and operational needs and allocating resources on a regional district-wide basis as well as future savings in administrative costs.



Appropriations Limit

Per Section 56842.5 of the Government Code, LAFCo is authorized to set the appropriations (Gann) limit for the reorganized district. Article XIII B of the California Constitution, is used to determine spending, or appropriations (monies that can be spent from state tax proceeds) for local government and agencies are required to determine the appropriations limit applicable each year. This calculation is based on several factors including assessed property values, population growth, and construction activity. Staff recommends that the appropriations limit for the consolidated district be set at \$9,042,619.30, the combined total of the existing district's appropriations limits for 2006-2007.

Property Tax and Benefit Assessments

There will be no increase or decrease in property tax revenue and property tax paid by the taxpayer will not change due to the consolidation because Proposition 13 limited property tax to 1% of assessed value and subsequent legislation which established the tax rate for each special district. While the tax rate varies from tax rate area to tax rate area within a district, HMBFPD receives approximately 19% of the 1% property tax and PMFPD receives approximately 16% of the 1% property tax. These rates were based primarily on what taxes an agency was levying before Proposition 13. In consolidation, property tax revenue within each tax rate area is pooled to the new district. For purposes of property tax allocation, a consolidated district receives the combined property tax revenue of the two consolidating districts.

Both Districts have special benefit assessments, which are assessed annually at \$160.00/parcel in PMFPD and \$35.00/parcel in HMBFPD. The application states that assessments will continue to accrue to the consolidated district accounted for in zones and apportioned based on overhead and service costs.

ERAF

In 1992, State legislation was enacted creating the Education Revenue Augmentation Fund (ERAF) that required counties, cities and special districts to transfer a percentage of property taxes to ERAF to fund schools, reducing the State's obligation. Just

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as each agency was allocated a share of the 1% property tax after Proposition 13, in 1992 agencies were assigned an ERAF contribution rate. The County Controller administers ERAF and the Controller will calculate the ERAF rate of the consolidated district that will reflect the combined dollars currently transferred.

Sphere of Influence

The recommended sphere of influence for the consolidated district is coterminous with the exterior boundaries of the existing districts. This action is consistent with service review determinations adopted by LAFCo in May 2005 (attached). Government Code Section 56425 specifies that in determining the sphere of influence of each local agency, the commission shall consider and prepare a written statement of its determinations with respect to each of the following:

- (1) The present and planned land uses in the area, including agricultural and open-space lands.
- (2) The present and probable need for public facilities and services in the area.
- (3) The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide
- (4) The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.

The following summarizes recommended sphere considerations in reaffirming the district's sphere.

- (1) The present and planned land uses in the area, including agricultural and open-space lands.**

Lands uses within the consolidated districts boundaries including various residential, commercial, agricultural and open space land use designations are under the jurisdiction of the County of San Mateo and City of Half Moon Bay. Viability of open space or agricultural lands is not affected by inclusion in the District sphere of influence.



- (2) The present and probable need for public facilities and services in the area.

The present and future needs for fire protection as currently provided by the Districts proposed for consolidation are expected to continue with additional demand for service as development occurs.

- (3) The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.

Fire service proposed for the consolidated district is consistent with existing service levels utilizing existing stations constructed specifically to serve the area. Consolidation will facilitate long-range planning and resource allocation for fire protection in the sphere boundaries.

- (4) The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.

The territory and communities included in the Half Moon Bay and Point Montara Fire Protection District boundaries includes the urbanized Midcoast and City of Half Moon Bay along with adjacent rural lands. The area is geographically separated from the boundaries and facilities of there fire protection agencies.

California Environmental Quality Act (CEQA)

The proposed project involves the consolidation two districts having identical powers, where changes do not alter the geographical area in which previously existing powers are exercised. Based on Section 15320(b), Class 20, this project is exempt from the provisions of the California Environmental Quality Act.

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Conclusion and Recommended Action

The proposed consolidation formalizes a unified service delivery pattern implemented by contract since 1998 and addresses the well-recognized fiscal challenge faced by small fire agencies in California. Consolidation creates both logical boundaries and a service area that will facilitate regional, long-range fiscal and operational planning for fire protection for Half Moon Bay, the Midcoast and surrounding areas. The municipal service review completed by the Commission indicated that operations, resources, and service area of the two districts lend themselves to the consolidation. Because service has been consolidated under contract, many savings typically realized by consolidation have already been realized through the contract. The consolidation appears to be in the best interest of the fire districts and the communities they serve.

A resolution to consolidate submitted jointly by the District Boards does not permit the Commission the authority to deny the proposal. LAFCo does have the authority to set conditions pursuant to Section 56844. Conditions are included following recommended actions below.

The Board of Directors of the two fire districts have determined that it is in the best interests for the future provision of fire protection service within their communities to consolidate into a single district. Once approved by the Commission, LAFCo will schedule a protest hearing that is a non-discretionary process governed by Section 57000 and absent 25% protest the consolidation would be completed. Based on LAFCo analysis, the proposed consolidation is supported by the municipal service review determinations, past practice of contracting for service and resources available, and conforms to both the Government Code and Health and Safety Code. Staff recommends approval of this project with the conditions included below and any others that may be appropriate.

Recommended Actions:

1. Find that the consolidation is exempt from the California Environmental Quality Act (CEQA) because it does not change the geographical boundaries in which previously existing powers are exercised (15320).



2. Adopt the recommended sphere of influence determinations contained in this report and adopt a sphere of influence for the consolidated district that is coterminous with the combined boundaries of HMBFPD and PMFPD.
3. Approve the consolidation of the Half Moon Bay Fire Protection District and Point Montara Fire Protection District creating the Coastside Consolidated Fire Protection District with the following conditions:
 - a) The effective date of the reorganization shall be July 1, 2007, or the first day of the subsequent fiscal quarter thereafter.
 - b) The name of the consolidated district shall be the COASTSIDE CONSOLIDATED FIRE PROTECTION DISTRICT.
 - d) All assets, revenues, funds on deposit (including impact and/or developer fees held by the County of San Mateo), liabilities for payment of principal and interest on contractual obligations for real property, furnishings and equipment, fire fighting apparatus and equipment, operating expenses, supplies, licenses and permits, and any contingent liabilities for existing civil litigation of both districts shall accrue to the consolidated district.
 - e) Agreements for service or regulating wages, benefits, and working conditions, in effect for the Half Moon Bay Fire Protection District or Point Montara Fire Protection District at the time of the consolidation shall be followed as adopted until such time that a contract for service with CalFire or other agency is implemented.
 - g) Pursuant to Government Code Section 56844(t), Fire Suppression Assessment Fee currently collected by the Half Moon Bay Fire Protection District and the Point Montara Fire Protection District in their respective service areas shall continue to be assessed and collected in the currently affected area after the consolidation in zones of benefit.
 - h) Gann Limit: The provisional appropriations limit for the consolidated district shall be \$9,042,619.30.



- i) Employees Generally: As of the effective date of the consolidation, all of the Half Moon Bay Fire District and Point Montara Fire Protection Districts employees shall become employees of the consolidated district and shall maintain their seniority (date of initial hire) and their promotion date by rank which existed on the consolidation's effective date. These provisions shall not limit the authority of the Fire Chief or the Board of Directors of the consolidated district to exercise its management rights of assignment, reassignment and/or transfer.

- j) Leave Balances: The following leave balances of employees of the Half Moon Bay Fire Protection District and Point Montara Fire Protection District shall accrue as employees of the consolidated district:
 - (1) Accrued but unused sick leave; and
 - (2) Accrued but unused Vacation, PTO, Holiday, Administrative and Compensatory Time Off

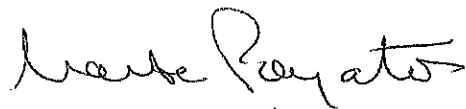
- k) Board Composition and Election: Bylaws of the consolidated district shall incorporate the board composition plan contained in the application that results in a five-member board of directors, including that upon consolidation if one of the eight existing board members does not volunteer to step down a ninth member would be appointed by the consolidated board, with board positions later being eliminated as election terms end until the board composition is reduced to five members. Board members shall be large.



- 1) Between the date of adoption of the Resolution approving consolidation and the effective date of the reorganization, neither District will do any of the following without majority approval of the Board of Directors of both entities unless the action has been provided for in the adopted budget:
 1. Approve any discretionary changes in employees' compensation, promotions, or permanent assignments. Vacancies may be filled for positions budgeted in the 2006/2007 budget.
 2. Purchase or dispose of fixed assets or amend existing contracts.

5. Delegate conducting authority proceedings to the Executive Officer pursuant to Government Code Section 57000 [c].

Respectfully submitted,



Martha Poyatos
Executive Officer

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