



Notice of Regular Meeting
Oceano Community Services District - Board of Directors Agenda
WEDNESDAY, MARCH 22, 2023 – 6:00 P.M.
Oceano Community Services District Board Room
1655 Front Street Oceano, CA

All items on the agenda including information items, may be deliberated. Any member of the public with an interest in one of these items should review the background material and request information on the possible action that could be taken.

All persons desiring to speak during any Public Comment period are asked to fill out a "Board Appearance Form" to submit to the Board Secretary prior to the start of the meeting. Each individual speaker is limited to a presentation time of THREE (3) minutes per item. Persons wishing to speak on more than one item shall limit their remarks to a total of SIX (6) minutes. This time may be allowed between items in one-minute increments up to three minutes. Time limits may not be yielded to or shared with other speakers.

1. CALL TO ORDER
2. ROLL CALL
3. FLAG SALUTE
4. AGENDA REVIEW
5. PUBLIC COMMENT ON MATTERS NOT ON THE AGENDA

This public comment period provides an opportunity for members of the public to address the Board on matters of interest within the jurisdiction of the District that are not listed on the agenda. If a member of the public wishes to speak at this time, Public comment is limited to three (3) minutes.

6. SPECIAL PRESENTATIONS & REPORTS:

A. STAFF REPORTS:

- i. Sheriff's South Station - Commander Keith Scott
- ii. FCFA Operations - Chief Steve Lieberman
- iii. Operations – Utility System Manager Tony Marraccino
- iv. OCSD General Manager – Will Clemens

B. BOARD OF DIRECTORS AND OUTSIDE COMMITTEE REPORTS:

- i. President Villa
- ii. Vice President Gibson
- iii. Director Austin
- iv. Director Joyce-Suneson
- v. Director Varni

C. PUBLIC COMMENT ON SPECIAL PRESENTATIONS AND REPORTS:

This public comment period provides an opportunity for members of the public to address the Board on matters discussed during Special Presentations and Reports. If a member of the public wishes to speak at this time, Public comment is limited to three (3) minutes.

7. CONSENT AGENDA ITEMS:

Public comment Members of the public wishing to speak on consent agenda items may do so when recognized by the Presiding Officer. If a member of the public wishes to speak at this time, Public comment is limited to three (3) minutes.

- A. Review and Approval of Minutes for the Regular Meeting of March 8, 2023
- B. Review of Cash Disbursements
- C. Recommendation to Approve the General, Auto, and other Liability Insurance Coverage for 2023 and authorize payment in the amount of \$39,235

8. BUSINESS ITEMS:

Public comment Members of the public wishing to speak on business items may do so when recognized by the Presiding Officer. If a member of the public wishes to speak at this time, Public comment is limited to three (3) minutes.

- A. Discussion on establishing a line-item budget for Board advocacy
- B. Committee Assignments – Parks & Recreation Advisory Committee

9. HEARING ITEMS:

Public comment Members of the public wishing to speak on hearing items may do so when recognized by the Presiding Officer. If a member of the public wishes to speak at this time, Public comment is limited to three (3) minutes.

10. RECEIVED WRITTEN COMMUNICATIONS: Divestiture – LAFCO NO.1-E-23

11. LATE RECEIVED WRITTEN COMMUNICATIONS:

12. FUTURE AGENDA ITEMS:

13. FUTURE HEARING ITEMS:

14. CLOSED SESSION:

15. ADJOURNMENT:

This agenda was prepared and posted pursuant to Government Code Section 54954.2. Agenda is posted at the Oceano Community Services District, 1655 Front Street, Oceano, CA. Agenda and reports can be accessed and downloaded from the Oceano Community Services District website at www.oceanocsd.org

ASSISTANCE FOR THE DISABLED If you are disabled in any way and need accommodation to participate in the Board meeting, please call the Clerk of the Board at (805) 481-6730 for assistance at least three (3) working days prior to the meeting so necessary arrangements can be made.



Oceano Community Services District

Summary Minutes

Regular Meeting Wednesday, March 8, 2023 – 6:00 P.M.

Location: OCSD BOARD ROOM

1. **CALL TO ORDER:** Called at approximately 6:00 p.m. by President Villa
2. **ROLL CALL:** Board members present: President Villa, Vice President Gibson, Director Austin, Director Joyce-Suneson, and Director Varni
Staff present: Will Clemens, General Manager, Carey Casciola, Business & Accounting Manager and Chase Martin, Legal Counsel
3. **FLAG SALUTE:** Led by President Villa
4. **AGENDA REVIEW:** Agenda accepted as presented with a motion by Director Varni and a second by Director Joyce-Suneson a 5-0 roll call vote.
5. **PUBLIC COMMENT ON MATTERS NOT ON THE AGENDA:**

Lucia Casalnuovo	In opposition of a County of SLO Board of Supervisors vote regarding Central Coast Blue permit. In support of a focus group for the residents of Oceano. In support of bylaw changes.
Jeff Edwards	In support of OCSD Board of Directors making Central Coast Blue a priority.
Jasmine Carranza, Boys & Girls Club of South San Luis Obispo County	Provided information regarding the local Boys & Girls Club and services they provide and their need for additional space. Expressed interest in being part of the proposed committee for Parks & Recreation.

6. SPECIAL PRESENTATIONS & REPORTS

A. STAFF REPORTS:

i. Sheriff's South Station – Commander Keith Scott – February 2023 Update

338 Calls for Service (331 last year)
 2 Assaults / 26 Disturbances / 10 Thefts / 3 Vandalisms / 1 Phone Scam
 5 Suspicious Subjects / 3 Suspicious Vehicles
 32 Enforcement traffic stops / 15 Arrests
 27 Assisting other agencies

Storm Update: National Weather Service has categorized the upcoming storm as serious and the EOC will activate tomorrow. Patrols will take place on the levee and they have been in touch with residents in areas that are prone to evacuation warnings due to flooding.

ii. Five Cities Fire Authority – Steve Lieberman, Fire Chief - Absent

iii. Operations - Utility Systems Manager - Tony Marraccino

Lopez 65.6% (32,399 AF) / State water 28 AF / Pumped 12 AF
 -0- SSOs (Sewer System Overflow) in February
 8 Work Orders / 10 USAs / 6 Customer Service Calls / 3 After Hours Callouts
 Continuing with weekly and monthly samples and daily rounds
 Hazardous Materials Inspection – no violations or corrective actions required
 Recycled asphalt / started hydrant maintenance / unlocks /1st of the month equipment runs
 Continuing with sewer system maintenance
 2 employees attended a free steel tank class
 1 employee attending a free distribution class (2-day class for test prep)

iv. OCSD General Manager – Will Clemens

Provided information regarding the upcoming storm –County of SLO OES (Office of Emergency Services) notification. At the prior meeting the MNS contract was approved – public outreach / engagement is included in the proposal and will be rolled out in the next week and the public is encouraged to provide feedback. Central Coast Blue permitting was consolidated by the County of SLO Board of Supervisors. Provided additional information regarding the Central Coast Blue project. Fire divestiture process – regular meetings have been scheduled with the County and

City Managers. LAFCo has indicated that the District may need an interim provision of service by the wind down date.

v. OCSD Legal Counsel – Chase Martin

Oral and written report to Board of Directors regarding the Board of Directors drafting letters and/or issuing statements on public interest matters that do not fall directly within the District’s purview

B. BOARD OF DIRECTORS AND OUTSIDE COMMITTEE REPORTS:

- i. President Villa** – None
- ii. Vice President Gibson** – Reported on the March 3, 2023, State Water Subcontractors Advisory Committee.
- iii. Director Austin** – Reported on the March 1, 2023, South San Luis Obispo Sanitation District meeting.
- iv. Director Joyce-Suneson** – None
- v. Director Varni** – Reported on the March 3, 2023, Five Cities Fire Authority meeting.

C. PUBLIC COMMENT ON SPECIAL PRESENTATIONS AND REPORTS:

Jeff Edwards	Provided comments regarding Central Coast Blue, State Water Subcontractors Advisory Committee meeting, Desal and Board priorities.
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7. CONSENT AGENDA:	ACTION:
<ul style="list-style-type: none"> a) Review and Approval of Minutes for the Regular Meeting of February 22, 2023 b) Review of Cash Disbursements 	<p>After an opportunity for public comment, Board and staff discussion, Director Austin made a motion to approve the consent agenda with a second from President Villa and a 5-0 roll call vote.</p> <p>Public Comment: None</p>

8A. BUSINESS ITEMS:	ACTION:
Submittal of a resolution authorizing participation in developing the DESAL Plan in coordination with other participating water-purveying agencies and stakeholders.	<p>After an opportunity for public comment, Board and staff discussion, Director Varni made a motion to approve staff recommendations with a second from Director Austin and a 5-0 roll call vote.</p> <p>Public Comment: None</p>

8B. BUSINESS ITEMS:	ACTION:
Resolution to Amend the District By-Laws.	<p>After an opportunity for public comment, Board and staff discussion, Director Varni made a motion to approve staff recommendations with an edit to section 2.4.C removing the words “after consulting with District Staff” with a second from President Villa and a 3-2 roll call vote. Dissented: Director Austin and Director Gibson</p> <p>Public Comment: None</p>

- 9. HEARING ITEMS:** None
- 10. RECEIVED WRITTEN COMMUNICATIONS:** None
- 11. LATE RECEIVED WRITTEN COMMUNICATIONS:** Grant notification from Congressman Carbajal’s office.
- 12. FUTURE AGENDA ITEMS:** Allocation of budget for Advocacy efforts; selection of Board Members for the Parks and Recreation committee assignment.
- 13. FUTURE HEARING ITEMS:** None
- 14. CLOSED SESSION ITEMS:** None
- 15. ADJOURNMENT:** Approximately 8:30pm



Oceano Community Services District

1655 Front Street, P.O. Box 599, Oceano, CA 93475

PHONE(805) 481-6730 FAX (805) 481-6836

Date: March 22, 2023

To: Board of Directors

From: Carey Casciola, Business and Accounting Manager

Subject: **Agenda Item #7(B): Recommendation to Review Cash Disbursements**

Recommendation

It is recommended that your board review the attached cash disbursements:

Discussion

The following is a summary of the attached cash disbursements:

Description	Check Sequence	Amounts
Disbursements:	60098 - 60121	
Regular Payable Register - paid 03/16/2023	60098 - 60112	\$ 14,876.02
Subtotal:		\$ 14,876.02
Reoccurring Payments for Board Review (authorized by Resolution 2020-06):		
Payroll Disbursements - PPE 03/11/2023	N/A	\$ 31,841.41
Reoccurring Utility Disbursements - paid 03/16/2023	60113 - 60118	\$ 2,870.33
Reoccurring Health Disbursements - paid 03/16/2023	60119 - 60121	\$ 9,909.73
Subtotal:		\$ 44,621.47
Grand Total:		\$ 59,497.49

Other Agency Involvement

N/A

Other Financial Considerations

Amounts are within the authorized Fund level budgets.

Results

The Board's review of cash disbursements is an integral component of the District's system of internal controls and promotes a well governed community.

COMPANY: 99 - POOLED CASH FUND
 ACCOUNT: 1-1001-000 POOLED CASH OPERATING
 TYPE: All
 STATUS: All
 FOLIO: All

CHECK DATE: 0/00/0000 THRU 99/99/9999
 CLEAR DATE: 0/00/0000 THRU 99/99/9999
 STATEMENT: 0/00/0000 THRU 99/99/9999
 VOIDED DATE: 0/00/0000 THRU 99/99/9999
 AMOUNT: 0.00 THRU 999,999,999.99
 CHECK NUMBER: 060098 THRU 060112

ACCOUNT	--DATE--	--TYPE--	NUMBER	-----DESCRIPTION-----	----AMOUNT---	STATUS	FOLIO	CLEAR DATE	
CHECK:									
1-1001-000	3/16/2023	CHECK	060098	ARAMARK	224.97CR	OUTSTND	A	0/00/0000	UNIFORMS
1-1001-000	3/16/2023	CHECK	060099	ARROYO GRANDE CHEVROLET	1,497.59CR	OUTSTND	A	0/00/0000	VEHICLE MAINTENANCE
1-1001-000	3/16/2023	CHECK	060100	BRAND CREATIVE	244.81CR	OUTSTND	A	0/00/0000	VEHICLE SIGNS
1-1001-000	3/16/2023	CHECK	060101	BURDINE PRINTING	394.31CR	OUTSTND	A	0/00/0000	U/B LATE NOTICE PRINT, MAIL & POSTAGE
1-1001-000	3/16/2023	CHECK	060102	CANNON	6,595.50CR	OUTSTND	A	0/00/0000	CIP-PROP1 SWGP
1-1001-000	3/16/2023	CHECK	060103	CARQUEST AUTO PARTS	43.30CR	OUTSTND	A	0/00/0000	VEHICLE MAINTENANCE
1-1001-000	3/16/2023	CHECK	060104	FAMCON PIPE & SUPPLY, INC.	367.03CR	OUTSTND	A	0/00/0000	SANDBAGS
1-1001-000	3/16/2023	CHECK	060105	GATOR CRUSHING & RECYCLING	20.00CR	OUTSTND	A	0/00/0000	ASPHALT RECYCLE
1-1001-000	3/16/2023	CHECK	060106	GSI WATER SOLUTIONS, INC.	4,055.80CR	OUTSTND	A	0/00/0000	NCMA 2022 ANNUAL REPORT
1-1001-000	3/16/2023	CHECK	060107	ICONIX WATERWORKS (US) INC.	371.45CR	OUTSTND	A	0/00/0000	HYDRANT MAINTENANCE
1-1001-000	3/16/2023	CHECK	060108	MENDEZ, ANDRES MENDOZA	162.44CR	OUTSTND	A	0/00/0000	REIM TRAINING EXPENSE
1-1001-000	3/16/2023	CHECK	060109	MINER'S ACE HARDWARE, INC.	93.45CR	OUTSTND	A	0/00/0000	PARTS AND SUPPLIES
1-1001-000	3/16/2023	CHECK	060110	PRO-TECH LANDSCAPE MANAGEMENT,	410.00CR	OUTSTND	A	0/00/0000	LANDSCAPING
1-1001-000	3/16/2023	CHECK	060111	SWRCB/ DRINKING WATER OP CERT	30.00CR	OUTSTND	A	0/00/0000	EXAM FEE
1-1001-000	3/16/2023	CHECK	060112	THE TRIBUNE	365.37CR	OUTSTND	A	0/00/0000	ANNUAL RENEWAL
TOTALS FOR ACCOUNT 1-1001-0				CHECK	TOTAL:	14,876.02CR			
				DEPOSIT	TOTAL:	0.00			
				INTEREST	TOTAL:	0.00			
				MISCELLANEOUS	TOTAL:	0.00			
				SERVICE CHARGE	TOTAL:	0.00			
				EFT	TOTAL:	0.00			
				BANK-DRAFT	TOTAL:	0.00			
TOTALS FOR POOLED CASH FUND				CHECK	TOTAL:	14,876.02CR			
				DEPOSIT	TOTAL:	0.00			
				INTEREST	TOTAL:	0.00			
				MISCELLANEOUS	TOTAL:	0.00			
				SERVICE CHARGE	TOTAL:	0.00			
				EFT	TOTAL:	0.00			
				BANK-DRAFT	TOTAL:	0.00			

Payroll Summary Report
Board of Directors - Agenda Date March 22, 2023

	(*)	
Gross Wages	2/25/2023	3/11/2023
Regular	\$27,816.37	\$27,806.56
Overtime Wages	\$752.12	\$409.99
Stand By	\$450.00	\$600.00
	<u>\$29,018.49</u>	<u>\$28,816.55</u>
Cell Phone Allowance	\$75.00	\$0.00
Total Wages	<u>\$29,093.49</u>	<u>\$28,816.55</u>

Disbursements		
Net Wages	\$22,271.87	\$22,034.61
State and Federal Agencies	\$5,459.36	\$5,416.75
CalPERS - Normal	\$4,299.93	\$4,299.93
SEIU - Union Fees	\$90.12	\$90.12
Total Disbursements processed with Payroll	<u>\$32,121.28</u>	<u>\$31,841.41</u>
Health (Disbursed with reoccurring bills)	\$6,162.55	\$6,162.55
Total District Payroll Related Costs	<u>\$38,283.83</u>	<u>\$38,003.96</u>

(*) Previously reported in prior Board Meeting packet - provided for comparison.

COMPANY: 99 - POOLED CASH FUND
ACCOUNT: 1-1001-000 POOLED CASH OPERATING
TYPE: All
STATUS: All
FOLIO: All

CHECK DATE: 0/00/0000 THRU 99/99/9999
CLEAR DATE: 0/00/0000 THRU 99/99/9999
STATEMENT: 0/00/0000 THRU 99/99/9999
VOIDED DATE: 0/00/0000 THRU 99/99/9999
AMOUNT: 0.00 THRU 999,999,999.99
CHECK NUMBER: 060113 THRU 060118

ACCOUNT	--DATE--	--TYPE--	NUMBER	-----DESCRIPTION-----	----AMOUNT---	STATUS	FOLIO	CLEAR DATE	
CHECK:									
1-1001-000	3/16/2023	CHECK	060113	AGP VIDEO INC.	1,570.00CR	OUTSTND	A	0/00/0000	BOD STREAM, ARCHIVE INDEX
1-1001-000	3/16/2023	CHECK	060114	CHARTER COMMUNICATIONS	150.00CR	OUTSTND	A	0/00/0000	INTERNET - COMMUNICATIONS
1-1001-000	3/16/2023	CHECK	060115	DIGITAL WEST NETWORKS, INC.	433.78CR	OUTSTND	A	0/00/0000	PHONES
1-1001-000	3/16/2023	CHECK	060116	SO CAL GAS	373.47CR	OUTSTND	A	0/00/0000	UTILITY
1-1001-000	3/16/2023	CHECK	060117	STANLEY CONVERGENT SECURITY SO	110.71CR	OUTSTND	A	0/00/0000	WELLS AND FIRE MONITOR
1-1001-000	3/16/2023	CHECK	060118	VERIZON WIRELESS	232.37CR	OUTSTND	A	0/00/0000	FIELD CELL SVC
TOTALS FOR ACCOUNT 1-1001-0				CHECK	TOTAL:	2,870.33CR			
				DEPOSIT	TOTAL:	0.00			
				INTEREST	TOTAL:	0.00			
				MISCELLANEOUS	TOTAL:	0.00			
				SERVICE CHARGE	TOTAL:	0.00			
				EFT	TOTAL:	0.00			
				BANK-DRAFT	TOTAL:	0.00			
TOTALS FOR POOLED CASH FUND				CHECK	TOTAL:	2,870.33CR			
				DEPOSIT	TOTAL:	0.00			
				INTEREST	TOTAL:	0.00			
				MISCELLANEOUS	TOTAL:	0.00			
				SERVICE CHARGE	TOTAL:	0.00			
				EFT	TOTAL:	0.00			
				BANK-DRAFT	TOTAL:	0.00			

COMPANY: 99 - POOLED CASH FUND
 ACCOUNT: 1-1001-000 POOLED CASH OPERATING
 TYPE: All
 STATUS: All
 FOLIO: All

CHECK DATE: 0/00/0000 THRU 99/99/9999
 CLEAR DATE: 0/00/0000 THRU 99/99/9999
 STATEMENT: 0/00/0000 THRU 99/99/9999
 VOIDED DATE: 0/00/0000 THRU 99/99/9999
 AMOUNT: 0.00 THRU 999,999,999.99
 CHECK NUMBER: 060119 THRU 060121

ACCOUNT	--DATE--	--TYPE--	NUMBER	-----DESCRIPTION-----	----AMOUNT---	STATUS	FOLIO	CLEAR DATE	
CHECK:									
1-1001-000	3/16/2023	CHECK	060119	ANTHEM BLUE CROSS	9,519.58CR	OUTSTND	A	0/00/0000	EMPLOYEE INSURANCE
1-1001-000	3/16/2023	CHECK	060120	COLONIAL LIFE AND ACCIDENT	333.94CR	OUTSTND	A	0/00/0000	EMPLOYEE INSURANCE
1-1001-000	3/16/2023	CHECK	060121	TASC -CLIENT INVOICES	56.21CR	OUTSTND	A	0/00/0000	FSA ADM FEE
TOTALS FOR ACCOUNT 1-1001-0				CHECK	TOTAL:	9,909.73CR			
				DEPOSIT	TOTAL:	0.00			
				INTEREST	TOTAL:	0.00			
				MISCELLANEOUS	TOTAL:	0.00			
				SERVICE CHARGE	TOTAL:	0.00			
				EFT	TOTAL:	0.00			
				BANK-DRAFT	TOTAL:	0.00			
TOTALS FOR POOLED CASH FUND				CHECK	TOTAL:	9,909.73CR			
				DEPOSIT	TOTAL:	0.00			
				INTEREST	TOTAL:	0.00			
				MISCELLANEOUS	TOTAL:	0.00			
				SERVICE CHARGE	TOTAL:	0.00			
				EFT	TOTAL:	0.00			
				BANK-DRAFT	TOTAL:	0.00			



Oceano Community Services District

1655 Front Street, P.O. Box 599, Oceano, CA 93475

(805) 481-6730 FAX (805) 481-6836

Date: March 22, 2023

To: Board of Directors

From: Carey Casciola, Business and Accounting Manager

Subject: **Agenda Item #7(C):** Recommendation to Approve the General, Auto, and other Liability Insurance Coverage for 2023 and authorize payment in the amount of \$39,235

Recommendation

It is recommended that your Board:

- A. Approve the attached insurance proposals for the renewal of the general, auto, and other liability coverage and approve the proposal from the Joint Powers Risk and Insurance Management Authority (JPRIMA) in the annual amount of \$39,235.
- B. Authorize a check disbursement of \$39,235 for insurance coverage.

Discussion

The District's liability insurance broker has been Tolman & Wiker, Insurance Services, LLC since approximately 2001. They have recently completed their review of liability insurance options for the District and have submitted cost proposals that are included in the attachments. The renewal of District's liability insurance for 2023 will total \$39,235, which is an increase of \$4,911 (14%) in comparison to the District's 2022 cost of \$34,324.

The following is a summary of liability insurance costs for each of the past fourteen years, and for 2001 when Tolman & Wiker became the District's liability insurance broker. In 2017 the District saved 8.6% by moving from the WaterPlus Program to the current provider JPRIMA. The current quote is still under the 2013 cost of insurance, which was \$40,201.

<u>Year</u>	<u>Cost</u>	<u>Insurance Company</u>
2023	\$39,235	JPRIMA
2022	\$34,324	JPRIMA
2021	\$29,567	JPRIMA
2020	\$25,665	JPRIMA



Oceano Community Services District

Board of Directors Meeting

2019	\$23,727	JPRIMA
2018	\$22,232	JPRIMA
2017	\$20,967	JPRIMA
2016	\$22,941	Alteris
2015	\$22,307	Alteris
2014	\$22,914	Alteris
2013	\$40,201	Philadelphia
2012	\$37,456	Philadelphia
2011	\$37,427	Philadelphia
2010	\$37,325	Philadelphia
2009	\$26,079	Rural Special District (Alteris is the re-creation)

The 2023 JPRIMA quote is still under the \$44,873 quote received by the Special District Risk Management Authority (SDRMA) for the fiscal year 2020.

Other Agency Involvement

N/A

Other Financial Considerations

N/A

Results

Approval of liability insurance is necessary for District operations, and to protect the community from financial risks associated with operations and administration of District facilities and equipment.

Attachment: Insurance Proposal by JPRIMA



**CALIFORNIA ASSOCIATION OF MUTUAL WATER COMPANIES
JOINT POWERS RISK AND INSURANCE MANAGEMENT AUTHORITY (JPRIMA)**

**COVERAGE PROPOSAL
Oceano Community Services District**

**COVERAGE PERIOD
4/1/2023 - 4/1/2024**

**PRESENTED BY:
Tolman & Wiker Insurance Services LLC**



**Insurance Administrator
www.alliedpublicrisk.com
Allied Community Insurance Services, LLC
CA License Number: 0L01269
National Producer Number: 17536322**



PREMIUM SUMMARY

NOTE: This proposal is prepared from information supplied to us on the application submitted by you or insurance broker. It may or may not contain all terms requested on the application. Coverage is provided by the JPRIMA Memorandum of Coverage (MOC) and subject to its terms, exclusions, conditions and limitations. A specimen MOC is available for your review, as is the JPRIMA Member Agreement. Enrollment in the JPRIMA requires execution of the JPRIMA Member Agreement as well as membership in the California Association of Mutual Water Companies (Cal Mutuals).

PAGE	COVERAGE SECTION		PREMIUM
3-7	SECTION 1. PROPERTY (Property, Equipment Breakdown & Mobile Equipment, if offered in the section)	\$	7,716.00
8	SECTION 2. COMMERCIAL CRIME	\$	738.00
9-10	SECTION 3. COMMERCIAL GENERAL LIABILITY	\$	10,791.00
11	SECTION 4. PUBLIC OFFICIALS & MANAGEMENT LIABILITY (Wrongful Acts, Employment Practices & Employee Benefits, Privacy and Network Risk, if offered in the section)	\$	4,817.00
12	SECTION 5. BUSINESS AUTO	\$	5,649.00
13	SECTION 6. COMMERCIAL EXCESS LIABILITY	\$	5,866.00
MEMBER CONTRIBUTION		\$	35,577.00
JPRIMA ADMINISTRATION FEES		\$	3,658.00
TOTAL AMOUNT DUE*		\$	39,235.00
*Payment is due within thirty (30) days of binding.			

NOTES:

The JPRIMA MOC has a common anniversary date of April 1, 2023.
Terrorism coverage is automatically included for Property and General Liability.

COVERAGE PROPOSAL FOR MEMBER: Oceano Community Services District
EFFECTIVE DATE: 4/1/2023 - 4/1/2024
DISCLAIMER: Actual coverage is subject to the language of the MOC as issued.



SECTION 1. PROPERTY*

***PROPERTY IS INCLUDED IN THE PROPOSAL: Yes**

ISSUER:

- California Association of Mutual Water Companies
Joint Powers Risk and Insurance Management Authority (JPRIMA)
- No Joint and Several Liability for Members
- 100% Reinsured

REINSURER:

- A XV (Excellent) A.M. Best Rating
- A-Strong Standard & Poor's Rating

FORM:

- Proprietary & Integrated

LIMITS:

Blanket Property: (Real Property & Business Personal Property)	\$4,993,708
Blanket Coverage Extension: A separate blanket limit that applies to the following coverages: Business Income, Extended Business Income, Commandeered Property, Civil Authority, Extra Expense, Tenant Leasehold Interest, Electronic Data, Preservation of Property.	\$1,000,000
Equipment Breakdown / Boiler & Machinery:	Included
Mobile Equipment (scheduled):	\$206,131
Mobile Equipment (unscheduled, maximum \$10,000 any one item):	\$25,000
Mobile Equipment (borrowed, rented & leased):	N/A
Flood Zone X(unshaded)/C:	N/A

DEDUCTIBLES:

\$1,000	Property
\$1,000	Mobile Equipment
N/A	Unmanned Aircraft (Drone)
\$1,000	Equipment Breakdown (aboveground & less than 50 feet belowground)
\$2,500	Equipment Breakdown (greater than 50 feet belowground)
N/A	Flood Zone X(unshaded)/C (per occurrence)

COVERAGE HIGHLIGHTS:

- Blanket Property Limits & Blanket Coverage Extension Limits
- No Coinsurance
- Equipment Breakdown
- Broad Definition of Covered Property
- Proprietary Coverage Extensions

VALUATION:

- Replacement Cost: Real Property & Business Personal Property
- Actual Cash Value: Mobile Equipment
- Actual Loss Sustained: Loss of Income & Expenses
- Market Price: Fine Arts

KEY EXCLUSIONS:

- Earthquake & Earth Movement
- Flood (unless coverage is designated above, such coverage would be limited to locations in Zone X(Unshaded)/C only)

COVERAGE PROPOSAL FOR MEMBER: Oceano Community Services District

EFFECTIVE DATE: 4/1/2023 - 4/1/2024

DISCLAIMER: Actual coverage is subject to the language of the MOC as issued.

SPECIAL COVERAGES:

- **New Locations or Newly Constructed Property:**
Pays up to \$1,000,000 for your new real property while being built on or off described premises as well as real property you acquire, lease or operate at locations other than the described premises; and business personal property located at new premises.
- **Utility Services – Direct Damage, Business Income & Expense:**
Pays up to \$250,000 for covered property damaged by an interruption in utility service to the described premises. The interruption in utility service must result from direct physical loss or damage by a Covered Cause of Loss and does not apply to loss or damage to electronic data, including destruction or corruption of electronic data. Separate limits apply to Direct Damage and Business Income/Expense.
- **Pollution Remediation Expenses:**
Pays up to \$100,000 or \$250,000 for remediation expenses resulting from a Covered Causes of Loss or Specified Cause of Loss occurring during the coverage period and reported within 180 days. Covered Causes of Loss means risks of direct physical loss unless the loss is excluded or limited by the Property Coverage Form. Specified Cause of Loss means the following: fire; lightning; explosion; windstorm or hail; smoke; aircraft or vehicles; riot or civil commotion; vandalism; leakage from fire extinguishing equipment; sinkhole collapse; volcanic action; falling objects; weight of snow; ice or sleet; water damage; and equipment breakdown.
- **SCADA Upgrades:**
Pays up to \$100,000 to upgrade your scheduled SCADA system after direct physical loss from a Covered Cause of Loss. The upgrade is in addition to its replacement cost. SCADA means the Supervisory Control and Data Acquisition system used in water and wastewater treatment and distribution to monitor leaks, waterflow, water analysis, and other measurable items necessary to maintain operations.
- **Contract Penalties:**
Pays up to \$100,000 for contract penalties you are required to pay due to your failure to deliver your product according to contract terms solely as a result of direct physical loss or damage by a Covered Cause of Loss to Covered Property.
- **Contamination:**
Pays up to \$250,000 for loss or damage to covered property because of contamination as a result of a Covered Cause of Loss. Contamination means direct damage to real property and business personal property caused by contact or mixture with ammonia, chlorine, or any chemical used in the water and / or wastewater treatment process.
- **Property In Transit:**
Pays up to \$100,000 for direct physical loss or damage to covered property while in transit more than 1000 feet from the described premises. Shipments by mail must be registered for covered to apply. Electronic data processing property and fine arts are excluded.
- **Unintentional Errors:**
Pays up to \$250,000 for any unintentional error or omission you make in determining or reporting values or in describing the covered property or covered locations.

KEY DEFINITIONS

■ **Real Property:**

The buildings, items or structures described in the Declarations that you own or that you have leased or rented from others in which you have an insurable interest. This includes:

- Aboveground piping;
- Aboveground and belowground penstock; but only if such penstock is scheduled in the policy;
- (If not covered by other insurance): Additions under construction, alterations and repairs to the “real property” or structure, material, equipment supplies and temporary structures on or within 100 feet of the described premises, used for making additions, alterations or repairs to the “real property” or structure;
- Buildings;
- Business personal property owned by you that is used to maintain or service the real property or structure or its premises, including fire-extinguishing equipment; outdoor furniture, floor coverings and appliances used for refrigerating, ventilating, cooking, dishwashing or laundering;
- Completed additions;
- Exterior signs, meaning neon, automatic, mechanical, electric or other signs either attached to the outside of a building or structure, or standing free in the open;
- Fixtures, including outdoor fixtures;
- Glass which is part of a building or structure;
- Light standards;
- Paved surfaces such as sidewalks, patios or parking lots;
- Permanently installed machinery and equipment;
- Permanent storage tanks;
- Solar panels;
- Submersible pumps, pump motors and engines;
- Underground piping located on or within 100 feet of premises described in the Declarations;
- Underground vaults and machinery.

■ **Business Personal Property:**

The property you own that is used in your business including:

- Furniture and fixtures;
- Machinery and equipment;
- Computer equipment;
- Communication equipment;
- Labor materials or services furnished or arranged by you on personal property of others;
- Stock;
- Your use interest as tenant in improvements and betterments.
- Leased personal property for which you have a contractual responsibility to insure.

■ **Pollution Conditions:**

The discharge, dispersal, release, seepage, migration, or escape of any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals, minerals, chemical elements and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

KEY DEFINITIONS *(continued)*

■ **Remediation Expenses:**

Expenses incurred for or in connection with the investigation, monitoring, removal, disposal, treatment, or neutralization of pollution conditions to the extent required by: (1) Federal, state or local laws, regulations or statutes, or any subsequent amendments thereof enacted to address pollution conditions; and (2) a legally executed state voluntary program governing the cleanup of "pollution conditions."

■ **Outdoor Property:**

Fixed or permanent structures that are outside covered real property including but not limited to:

- Historical markers or flagpoles;
- Sirens, antennas, towers, satellite dishes, or similar structures and their associated equipment or structures;
- Exterior signs not located at a premises;
- Fences or retaining walls;
- Storage sheds, garages, pavilions or other similar buildings or structures not located at a premises; or
- Dumpsters, concrete trash containers, or permanent recycling bins;

■ **Equipment Breakdown:**

Direct damage to mechanical, electrical or pressure systems as follows:

- Mechanical breakdown including rupture or bursting caused by centrifugal force;
- Artificially generated electrical current, including electrical arcing, that disturbs electrical devices, appliances or wires;
- Explosion of steam boilers, steam piping, steam engines or steam turbines owned or leased by you, or operated under your control;
- Loss or damage to steam boilers, steam pipes, steam engines or steam turbines; or
- Loss or damage to hot water boilers or other water heating equipment;
- If covered electrical equipment requires drying out as a result of a flood, we will pay for the direct expenses for such drying out.
- None of the following are covered objects as respects to equipment breakdown:
 - a. Insulating or refractory material;
 - b. Buried vessel or piping;
 - c. Sewer piping, piping forming a part of a fire protection system or water piping other than:
 - (1) Feed water piping between any boiler and its feed pump or injector;
 - (2) Boiler condensate return piping; or
 - (3) Water piping forming a part of refrigerating and air conditioning vessels and piping used for cooling, humidifying or space heating purposes;
 - d. Structure, foundation, cabinet or compartment containing the object;
 - e. Power shovel, dragline, excavator, vehicle, aircraft, floating vessel or structure, penstock, draft tube or well-casing;
 - f. Conveyor, crane, elevator, escalator or hoist, but not excluding any electrical machine or electrical apparatus mounted on or used with this equipment; and
 - g. Felt, wire, screen, die, extrusion, late, swing hammer, grinding disc, cutting blade, cable chain, belt, rope, clutch late, brake pad, non-metallic part or any part or tool subject to frequent, periodic replacement.



PROPERTY SUBLIMITS:

Coverage	Limit
Accounts Receivable	\$500,000
Valuable Papers and Records	\$500,000
Tools and Equipment Owned by Your Employees	\$5,000
Personal Effects and Property of Others	\$5,000
Fine Arts	\$25,000
Contamination	\$250,000
Indoor and Outdoor Signs (unscheduled)	\$50,000
Outdoor Property (unscheduled)	\$100,000
New Locations or Newly Constructed Property	\$1,000,000
Business Personal Property at New Locations	\$1,000,000
Backup/Overflow of Water from Sewer, Drain, Sump	\$250,000
Utility Services - Direct Damage	\$250,000
Utility Services – Business Income and Extra Expense	\$250,000
Dependent Business Premises	\$250,000
Property at Other Locations	\$250,000
Pollution Remediation Expense (specified cause of loss)	\$250,000
Pollution Remediation Expense (covered cause of loss)	\$100,000
Contract Penalties	\$100,000
SCADA Upgrades	\$100,000
Property in Transit	\$100,000
Limited Coverage for “Fungus”, Wet Rot or Dry Rot	\$50,000
Fire Department Service Charge	\$25,000
Fire Protection Devices	\$25,000
Key and Lock Replacement Expenses	\$25,000
Trees, Shrubs & Plants (maximum \$1,000 any one item)	\$25,000
Arson Reward	\$10,000
Rental Reimbursement – Mobile Equipment	\$10,000
Cost of Inventory or Adjustment	\$5,000
Non-Owned Detached Trailers	\$5,000
Water Contamination Notification Expense	\$5,000
Patterns, Dies, Molds, Forms	\$2,500
Debris Removal	25% of debris removal expense + \$250K
Ordinance or Law Provision	100% of scheduled limit plus 25%

NOTES:

Contribution is calculated from attached property schedule; review property schedule for coverage and limit adequacy.

Flood and Earthquake coverages are excluded.

COVERAGE PROPOSAL FOR MEMBER: Oceano Community Services District

EFFECTIVE DATE: 4/1/2023 - 4/1/2024

DISCLAIMER: Actual coverage is subject to the language of the MOC as issued.



SECTION 2. COMMERCIAL CRIME*

***COMMERCIAL CRIME IS INCLUDED IN THE PROPOSAL: Yes**

ISSUER:

- California Association of Mutual Water Companies
Joint Powers Risk and Insurance Management Authority (JPRIMA)
- No Joint and Several Liability for Members
- 100% Reinsured

REINSURER:

- A XV (Excellent) A.M. Best Rating
- A-Strong Standard & Poor’s Rating

FORM:

- Proprietary & Integrated

RATING BASIS:

- On file with underwriter
- Non auditable

LIMITS:

EMPLOYEE THEFT	FORGERY OR ALTERATION	INSIDE THE PREMISES Theft of Money and Securities	INSIDE THE PREMISES Robbery or Safe Burglary or Other Property	OUTSIDE THE PREMISES	COMPUTER FRAUD	FUNDS TRANSFER FRAUD	MONEY ORDERS & COUNTERFEIT PAPER CURRENCY
\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000

DEDUCTIBLE:

\$1,000 each claim

DESIGNATED EMPLOYEE BENEFIT PLAN(S):

COVERAGE HIGHLIGHTS:

- Separate Limits Apply to Each Coverage
- Coverage Extended to Directors and Authorized Volunteers
- Faithful Performance

NOTES:

COVERAGE PROPOSAL FOR MEMBER: Oceano Community Services District

EFFECTIVE DATE: 4/1/2023 - 4/1/2024

DISCLAIMER: Actual coverage is subject to the language of the MOC as issued.



SECTION 3. GENERAL LIABILITY*

***GENERAL LIABILITY IS INCLUDED IN THE PROPOSAL: Yes**

ISSUER:

- California Association of Mutual Water Companies
Joint Powers Risk and Insurance Management Authority (JPRIMA)
- No Joint and Several Liability for Members
- 100% Reinsured

REINSURER:

- A XV (Excellent) A.M. Best Rating
- A-Strong Standard & Poor's Rating

FORM:

- Occurrence
- Defense Costs Outside the Limit
- Proprietary & Integrated

RATING BASIS:

- On file with underwriter
- Non auditable

LIMITS:

Per Occurrence	\$1,000,000
General Aggregate	\$10,000,000
Products & Completed Operations Aggregate	\$10,000,000
Personal & Advertising Injury Limit	\$1,000,000
Damage to Premises Rented to You	\$1,000,000
Medical Payments	\$10,000

DEDUCTIBLE:

N/A

COVERAGE HIGHLIGHTS:

- Duty to Defend
- Broad Definition of Enrolled Named Member
- Blanket Additional Enrolled Named Member
- Water & Wastewater Testing Errors & Omissions
- Expanded Pollution Liability
- Failure to Supply (no ISO limitation)
- Lead (potable water)
- Waterborne Asbestos (potable water)
- Product Recall
- Impaired Property
- Fungi & Bacteria

OPTIONAL COVERAGE(S):

Inverse Condemnation

COVERAGE PROPOSAL FOR MEMBER: Oceano Community Services District

EFFECTIVE DATE: 4/1/2023 - 4/1/2024

DISCLAIMER: Actual coverage is subject to the language of the MOC as issued.

SPECIAL COVERAGES:

- **Water & Wastewater Testing Errors & Omissions:**
Coverage is provided for damages arising out of an act, error or omission which arises from your water or wastewater testing.
- **Failure To Supply:**
Coverage is provided for bodily injury or property damage arising out of the failure of any Enrolled Named Member to adequately supply water.
- **Waterborne Asbestos:**
Coverage is provided for bodily injury or property damage from waterborne asbestos arising out of potable water which is provided by you to others.
- **Contractual Liability - Railroads:**
Coverage is provided for any contract or agreement that indemnifies a railroad for bodily injury or property damage arising out of construction or demolition operations, within 50 feet of any railroad property and affecting any railroad bridge or trestle, tracks, road-beds, tunnel, underpass or crossing. Available via endorsement only.
- **Pollution:**
Coverage is provided for bodily injury or property damage which occurs or takes place as a result of your operations and arises out of the following:
 - Potable water which you supply to others;
 - Chemicals you use in your water or wastewater treatment process;
 - Natural gas or propane gas you use in your water or wastewater treatment process;
 - Urgent response for the protection of property, human life, health or safety conducted away from premises owned by or rented to or regularly occupied by you;
 - Your application of pesticide or herbicide chemicals if such application meets all standards of any statute, ordinance, regulation or license requirement of any federal, state or local government;
 - Smoke drift from controlled or prescribed burning that has been authorized and permitted by an appropriate regulatory agency.
 - Fuels, lubricants or other operating fluids needed to perform the normal electrical, hydraulic or mechanical functions necessary for the operation of mobile equipment or its parts
 - Escape or back-up of sewage or waste water from any sewage treatment facility or fixed conduit or piping that you own, operate, lease, control or for which you have the right of way, but only if property damage occurs away from land you own or lease.
 - Sudden and accidental events that are neither expected nor intended by an Enrolled Named Member. However, no coverage is provided under this exception for petroleum underground storage tanks.
- **Damage to Impaired Property or Property Not Physically Injured**
Coverage is provided for bodily injury or property damage arising from your potable water, nonpotable water, or wastewater as well as any loss of use of other property arising out of sudden and accidental physical injury to “your product” or “your work” after it has been put to its intended use.
- **Fungi or Bacteria**
Coverage is provided for bodily injury or property damage arising from any “fungi” or bacteria that are, are on, or are contained in a good or product intended for consumption; or to any injury or damage arising out of or caused by your water, irrigation, or wastewater intake, outtake, reclamation, treatment and distribution processes.
- **Recall of Products, Work or Impaired Property**
Coverage applies to any injury or damage arising out of or caused by your potable water, nonpotable water, or wastewater for the loss of use, withdrawal, recall, inspection, repair, replacement, adjustment, removal or disposal of: “Your product”; “Your work”; or “Impaired property”; if such product, work, or property is withdrawn or recalled from the market or from use by any person or organization because of a known or suspected defect, deficiency, inadequacy or dangerous condition in it.

NOTES:

COVERAGE PROPOSAL FOR MEMBER: Oceano Community Services District

EFFECTIVE DATE: 4/1/2023 - 4/1/2024

DISCLAIMER: Actual coverage is subject to the language of the MOC as issued.

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SECTION 4. PUBLIC OFFICIALS & MANAGEMENT LIABILITY*

***PUBLIC OFFICIALS & MANAGEMENT LIABILITY IS INCLUDED IN THE PROPOSAL: Yes**

ISSUER:

- California Association of Mutual Water Companies
Joint Powers Risk and Insurance Management Authority (JPRIMA)
- No Joint and Several Liability for Members
- 100% Reinsured

REINSURER:

- A XV (Excellent) A.M. Best Rating
- A-Strong Standard & Poor's Rating

FORM:

- Proprietary & Integrated
- Occurrence
- Defense Costs Outside the Limits of Liability

RATING BASIS:

- On file with underwriter
- Non auditable

LIMITS:

Wrongful Acts	\$1,000,000 per act
Employment Practices (including third party discrimination)	\$1,000,000 per offense
Employee Benefit Plans	\$1,000,000 per act
Injunctive Relief	\$5,000 per act
	\$10,000,000 aggregate limit

PRIVACY LIABILITY AND NETWORK RISK¹:

Privacy & Network Security Wrongful Acts (Coverage A Only)	N/A per act
¹ Coverage provided for Privacy Liability & Network Risk Coverage is issued on a claims made basis with defense inside the limit of liability. Coverage is limited only to the Primary policy. Privacy Retroactive Date: N/A. Privacy Deductible: N/A.	
*\$1,000,000 maximum annual aggregate applies per Enrolled Named Member, with a \$2,000,000 coverage form aggregate applicable to all participating Enrolled Named Members.	

OPTIONAL COVERAGE(S):

Inverse Condemnation

RETROACTIVE DATE:

N/A

DEDUCTIBLE:

\$1,000 Each Wrongful Act or Offense including expenses

EPL DEDUCTIBLE:

\$1,000 Each Offense including expenses

COVERAGE HIGHLIGHTS:

- Duty To Defend
- Broad Definition of Enrolled Named Member including Past and Future Employees
- Outside Directorship

NOTES:

Privacy / Cyber Coverage is Excluded.

COVERAGE PROPOSAL FOR MEMBER: Oceano Community Services District

EFFECTIVE DATE: 4/1/2023 - 4/1/2024

DISCLAIMER: Actual coverage is subject to the language of the MOC as issued.



SECTION 5. BUSINESS AUTO*

***BUSINESS AUTO IS INCLUDED IN THE PROPOSAL: Yes**

ISSUER:

- California Association of Mutual Water Companies
Joint Powers Risk and Insurance Management Authority (JPRIMA)
- No Joint and Several Liability for Members
- 100% Reinsured

REINSURER:

- A XV (Excellent) A.M. Best Rating
- A-Strong Standard & Poor’s Rating

FORM:

- ISO Business Auto
- Proprietary Endorsements

PORTFOLIO:

Coverage	Symbol	Limit
Combined Single Limit for Bodily Injury & Property Damage (each accident)	1	\$1,000,000
Hired Auto Liability	8	\$1,000,000
Non-Owned Auto Liability	9	\$1,000,000
Medical Payments	2	\$5,000
Uninsured / Underinsured Motorists	2	\$1,000,000
Hired Physical Damage	8	\$100,000
Owned Physical Damage – Comprehensive	2	ACV
Owned Physical Damage – Collision	2	ACV
Fleet Automatic		Included

DEDUCTIBLE:

Liability: None
Comprehensive: \$500
Collision: \$500

POLICY HIGHLIGHTS:

- Fleet Automatic Coverage
- Commercial Auto 360 Endorsement
- Pollution Liability – Broadened Coverage for Coverage Autos

NOTES:

Please refer to the auto worksheet provided for per unit coverage information.



SECTION 6. EXCESS LIABILITY*

***EXCESS LIABILITY IS INCLUDED IN THE PROPOSAL: Yes**

ISSUER:

- California Association of Mutual Water Companies
Joint Powers Risk and Insurance Management Authority (JPRIMA)
- No Joint and Several Liability for Members
- 100% Reinsured

REINSURER:

- A XV (Excellent) A.M. Best Rating
- A-Strong Standard & Poor's Rating

FORM:

- Following Form
- Proprietary

LIMITS:

\$5,000,000/\$5,000,000

SCHEDULED UNDERLYING POLICIES:

Commercial General Liability -Yes
 Hired and Non-Owned Auto Liability - Yes
 Owned Auto Liability - Yes
 Public Officials & Management Liability - Yes
 Wrongful Acts -Yes
 Employment Practices - Yes
 Employee Benefit Plans - Yes
 Employers' Liability: *(minimum underlying limit requirement of \$500,000 / \$500,000 / \$500,000)* - Yes
 Other:

NOTABLE EXCLUSION:

- Workers' Compensation
- Uninsured Motorists / Underinsured Motorists
- Underlying Limits < \$1,000,000 except for Employers' Liability

NOTES:

Employers' Liability subject to JPRIMA minimum security requirements.

This insured has WC placement with Zenith Insurance Company. EL will be added to the Schedule of Underlying services on the Excess Dec.



San Luis Obispo Local Agency Formation Commission

SENT VIA E-MAIL

TO: WILL CLEMENS, GENERAL MANAGER, OCSD
FROM: ROB FITZROY, EXECUTIVE OFFICER *RF*
DATE: MARCH 7, 2023
SUBJECT: DIVESTITURE - LAFCO FILE NO. 1-E-23

Mr. Clemens,

This letter is to confirm that the application for Oceano Community Services District (OCSD) Divestiture of Fire Protection Services was officially received on February 6, 2023, and was referred to other agencies involved in the process. LAFCO staff have completed an initial 30-day review of the application and find that the following items must be addressed for LAFCO to continue processing the application. The following items are required, in part, pursuant to government code section 56652.

1. The Plan for Services provided by OCSD proposes to have the County of San Luis Obispo be the successor agency to provide fire protection for the Community of Oceano. The proposal set forth would require approval by the Board of Supervisors. The County of San Luis Obispo would also need to prepare a Plan for Services. This would need to include, but is not limited to, a plan for staffing and service levels, asset allocation, pension liabilities, property tax transfer and a funding plan. LAFCO referred the divestiture application to the County of San Luis Obispo, their response to the referral is attached. Once the County has fully evaluated the proposal and placed it on the agenda for the Board of Supervisors to consider, LAFCO will continue processing the application and any resolution and plan for services prepared by the County.
2. Related to Item 1 above, should the County prepare a Plan for Services with specific terms and conditions that are not otherwise stated in the Plan for Services already submitted by OCSD, a revised Plan for Services and/or legal agreement would need to be reviewed and considered by OCSD to reflect the terms and conditions of the County's Plan for Services.
3. Government code section 56824.12 states that a Plan for Services must include the following:
 - (1) The total estimated cost to provide the new or different function or class of services within the special district's jurisdictional boundaries.
 - (2) The estimated cost of the new or different function or class of services to customers within the special district's jurisdictional boundaries. The estimated costs may be identified by customer class.

COMMISSIONERS

Chairperson
ED WAAGE
City Member

Vice-Chair
DEBBIE ARNOLD
County Member

JIMMY PAULDING
County Member

MARSHALL OCHYLSKI
Special District Member

ROBERT ENNS
Special District Member

STEVE GREGORY
City Member

HEATHER JENSEN
Public Member

ALTERNATES

DAWN ORTIZ-LEGG
County Member

ED EBY
Special District Member

CHARLES BOURBEAU
City Member

David Watson
Public Member

STAFF

ROB FITZROY
Executive Officer

IMELDA MARQUEZ
Analyst

MORGAN BING
Clerk Analyst

BRIAN A. PIERIK
Legal Counsel

(3) An identification of existing providers, if any, of the new or different function or class of services proposed to be provided and the potential fiscal impact to the customers of those existing providers.

(4) A written summary of whether the new or different function or class of services or divestiture of the power to provide particular functions or classes of services, within all or part of the jurisdictional boundaries of a special district, pursuant to subdivision (b) of Section 56654, will involve the activation or divestiture of the power to provide a particular service or services, service function or functions, or class of service or services.

(5) A plan for financing the establishment of the new or different function or class of services within the special district's jurisdictional boundaries.

(6) Alternatives for the establishment of the new or different functions or class of services within the special district's jurisdictional boundaries.

The Plan for Services provided addresses some of the items above. Some of the items above will be addressed by the County's Plan for Services should it choose to be the successor agency. However, what is not addressed are alternatives to this action (see section 6). Government code section 56668, in part, requires LAFCO to consider impacts to other affected agencies. Because the proposal to divest would also affect Five Cities Fire Authority (FCFA) city members, alternatives should be identified to address those impacts.

4. FCFA, to which OCSD is a member, has a contractual obligation to all parties involved. OCSD's membership will cease on June 30, 2023. What is not clear are the implications if LAFCO has not considered the proposal by June 30, 2023. The LAFCO proceedings can take anywhere from 6-12 months depending on complexity and staff workload. It is unlikely that OCSD's proposal to divest will be resolved by June 30, 2023, particularly given that the proposal involves the County Board of Supervisors analysis, review and consideration, as well as impacts to other agencies in the FCFA, including City of Arroyo Grande and Grover Beach. We would advise that OCSD ought to operate under the assumption that LAFCO proceedings will not be completed by that date. As such, please specify what the interim plan for fire protection services will be until this action can be considered by LAFCO. Please also see the City of Arroyo Grande and Grover Beach response letters to LAFCO's referral.
5. As you are aware, the cities of Arroyo Grande and Grover beach have been actively discussing this issue and recently presented an item to their respective city councils. The cities hired a consultant, Baker Tilly, to examine impacts of OCSD withdrawal from FCFA. Preliminary results have been identified and a final report is forthcoming. LAFCO staff would like the opportunity to review that study upon its finalization in context to this proposal as it's findings would help to inform our analysis.
6. Due to the complexity of the request to divest and the number of agencies this proposal will affect, staff *may* hold a study session for the Commission to solicit feedback. The date and need of this study session is yet to be determined.
7. Please be advised that the proposed divestiture is subject to the protest proceedings per government code section 57000. This means if LAFCO were to approve the proposed

divestiture or some variation thereof, it is subject to a protest period after approval in which landowners and registered voters in the affected territory may protest LAFCO's decision. If between 25% and less than 50% of landowners and registered voters protest the action, the item must be placed on the ballot for an election. If more than 50% protest, the action taken by LAFCO will be terminated and the divestiture will not be granted.

8. Please be advised should the proposal be approved, and is not terminated due to protests, LAFCO is then required to coordinate with the State Board of Equalization (and the County) to fully complete any changes to tax rate areas as agreed upon by the executed tax exchange agreement between OCSD and the County.

This is our initial assessment of what is necessary to process this application. Other information needs or questions may arise as our review of the application continues. If you have any questions, please contact us at 805.781.5795 or email rfitzroy@slo.lafco.ca.gov.

cc. LAFCO Legal Counsel, Brian Pierik
Wade Horton, County of San Luis Obispo
Lisa Howe, County of San Luis Obispo
Whitney McDonald, City of Arroyo Grande
Matt Bronson, City of Grover Beach

Attachment A: County Referral Response

Attachment B: City of Arroyo Grande Referral Response

Attachment C: City of Grover Beach Referral Response



COUNTY OF SAN LUIS OBISPO
ADMINISTRATIVE OFFICE

Wade Horton County Administrative Officer

February 22, 2023

San Luis Obispo
Local Agency Formation Commission
1042 Pacific Street, Suite A
San Luis Obispo, CA 93401

Re: LAFCO No. 1-E-23 Oceano Community Services District Divestiture of Fire Protection Services

Dear Mr. Fitzroy:

This letter is to notify the San Luis Obispo Local Agency Formation Commission that the County has reviewed the referral for LAFCO File No. 1-E-23 Oceano Community Services District Divestiture of Fire Protection Services and this letter transmits the County's comments on the application and the application process.

The Oceano Community Services District's application proposes that responsibility for fire protection services be transferred to the County of San Luis Obispo. Under California state law the provision of fire protection services in the unincorporated area of a county is a discretionary activity. As such, action on the District's request will require a formal decision of the County Board of Supervisors. The County formally requests that LAFCO pause consideration of the District's application for dissolution to allow the County Board of Supervisors time to agendize a discussion of the Districts' request.

Sincerely,

A handwritten signature in blue ink, appearing to read "Wade Horton", written over a blue circular stamp or seal.

Wade Horton
County Administrator

County of San Luis Obispo Government Center

1055 Monterey St., Ste. D430 | San Luis Obispo, CA 93408 | (P) 805-781-5011 | (F) 805-781-5023

admin@co.slo.ca.us | slocounty.ca.gov
March 22, 2023 - Page 28 of 77



CITY OF
ARROYO GRANDE
CALIFORNIA

February 24, 2023

Roy Fitzroy
Executive Officer
San Luis Obispo Local Agency Formation Commission
1042 Pacific St., Suite A
San Luis Obispo, CA 93401

Re: Comments on LAFCO File No. 1-E-23 Oceano Community Services District
Divestiture of Fire Protection Services

Dear Mr. Fitzroy:

I am writing on behalf of the City of Arroyo Grande (City) in response to the request for comments on the Application of Divestiture of Fire Protection Services (Application) filed by the Oceano Community Services District (OCSD). We appreciate the opportunity to provide preliminary comments and to participate in the review process as appropriate. Please note that, due to the short turn around time on the request for comments, this letter reflects the preliminary responses of staff and not the formal direction or opinion of the Arroyo Grande City Council.

As explained in Exhibit C of OCSD Resolution No. 2023-03, the Five Cities Fire Authority (FCFA) was formed on July 9, 2010, through a Joint Exercise of Powers Agreement (JPA) entered into by the City of Arroyo Grande, the City of Grover Beach, and the Oceano Community Services District). The FCFA is a consolidation of three individual fire departments, operating out of the three existing member community fire stations. Together, the FCFA provides integrated and efficient fire and emergency medical services to the three communities, serving approximately 40,000 residents.

In 2017, the FCFA Board of Directors adopted a five-year Strategic Plan. The Strategic Plan outlines the investments that were deemed necessary to replace obsolete capital equipment, including fire engines and self-contained breathing apparatus, and to provide staffing levels needed to ensure appropriate levels of service for the three member agencies.

In June 2019, an amendment (Attachment 1) to the Joint Exercise of Powers Agreement (Second Amendment¹) was approved that altered the funding formula used to determine each member community's share of the FCFA's costs and ensure funding

¹ The First Amendment was a Memorandum of Agreement approved in May 2018, which was intended to facilitate a negotiation of the existing cost sharing methodology in light of the increased investment called for in the Strategic Plan.

consistent with the Strategic Plan. These alterations would go into effect if OCSD was successful in passing a special tax measure in 2020 to raise additional revenue for its fire and emergency service costs. The Second Amendment also identified a defined “wind-down” process and timeline should the OCSD ballot measure fail or should a member community leave the JPA or the JPA be dissolved.

As required under the Second Amendment, OCSD placed a special tax measure on the March 2020 ballot. Although over 66% of Oceano voters supported the measure, it fell 10 votes short of the 66.67% necessary to enact the special tax and the measure failed. As proposed, the special tax measure would have raised approximately \$422,000 annually for the OCSD to use for emergency and fire services to the Oceano community. This amount would have increased up to 2% annually.

Following the outcome of the OCSD’s 2020 ballot measure, the parties approved a Third Amendment to the JPA in July 2020. Under the terms of the Third Amendment, costs to the three parties were fixed and were to remain the same through at least June 30, 2022. The Third Amendment also required the OCSD to place a new special tax measure on the ballot for the primary election occurring in 2022. If the measure passed, the new funding formula set forth in the Second Amendment to the JPA would take effect on July 1, 2022. If the 2022 ballot measure failed, the parties’ costs would remain at their current levels through a one-year wind down period (and related work program) that would result in the OCSD no longer being a part of the JPA, effective June 30, 2023.

Measure A-22 was placed on the ballot in Oceano by OCSD in June 2022, as required under the Third Amendment. Measure A-22 failed to gather a two-thirds majority vote, with the final results certified on July 7, 2022, as follows:

YES	775	57.75%
NO	567	42.25%

With the failure of Measure A-22, the Third Amendment states that the OCSD will cease to be a member of the JPA effective June 30, 2023. The period between certification of the June 2022 election results and June 30, 2023 is defined as the wind-down period. During this time, the Cities of Arroyo Grande and Grover Beach will negotiate a new, or modified, JPA and maintain the right to use the trademark name of “Five Cities Fire Authority.” The work program elements of the wind down process include:

- A determination as to the distribution of equipment and physical assets by October 1, 2022 (effective June 30, 2023).
- An estimate as to the distribution of debt, employment liability, pension/PERS and other post-employment obligations by February 1, 2023 (effective June 30, 2023).
- An estimate as to the distribution of all other assets by March 1, 2023 (effective June 30, 2023).

A summary of the wind down process was shared with the FCFA Board of Directors on July 15, 2022, and with the Arroyo Grande City Council on August 9, 2022 (Attachment

2). The FCFA staff report (Attachment 3) includes the list of work program tasks, flow chart of decision making, and the Third Amendment. The FCFA Managers Group, comprised of the Fire Chief, the City Managers of Arroyo Grande and Grover Beach, and the OCSD General Manager, has been meeting regularly to oversee the implementation of the wind-down process. FCFA staff has completed much of the required inventory identification and equipment valuation and has engaged an actuary to carry out the necessary analysis of pension liabilities. To date, a list of equipment and assets has been developed and the FCFA's actuary has determined the estimated post-employment obligations of the member agencies. The OCSD has elected to engage its own actuary to evaluate the FCFA's actuarial report. It is anticipated that any assets of the FCFA otherwise attributable to OCSD will be used to offset the total liabilities that OCSD owes to the FCFA for its share of post-retirement benefits.

The result of the Second and Third Amendments to the Joint Powers Agreement and the two failed ballot measures in Oceano has required the FCFA to operate on a fixed, flat budget since July 1, 2019, despite increasing operating costs. The FCFA's current fiscal year budget anticipates that the FCFA's fund balance will reach \$126,678, or 1.79%, of the operating budget by June 30, 2023. It is anticipated that the OCSD's withdrawal from the FCFA, in addition to the deferred investments needed to operate the agency, will result in significant cost increases to the Cities of Arroyo Grande and Grover Beach.

In addition to the wind down process, there has been a separate process underway between the remaining FCFA member agencies (cities of Grover Beach and Arroyo Grande) at the staff level to evaluate the desired level of fire and emergency medical services and funding needs in the respective communities. These discussions are being led by the City Managers of the two cities and initially involved work sessions with FCFA staff and treasurer about current and projected FCFA call volume and staffing and equipment needs.

Given the significance of this issue and potential costs involved, the Arroyo Grande and Grover Beach City Managers engaged an outside consultant (Baker Tilly) in October 2022 to conduct an analysis of fire services for the two cities and provide service and funding recommendations. The Baker Tilly team working on this project has extensive experience in fire services and was led by Rick Haydon, former City Manager in Santa Maria. Mr. Haydon is familiar with the local area and is also completing an organizational assessment of Grover Beach services. There were several other members of the Baker Tilly team, including Larry Waterhouse, a former fire chief in several cities in Southern California. Baker Tilly was chosen given their work with service reviews elsewhere within the Central Coast and their ability to complete this study by early 2023 to inform decisions by the two cities.

Baker Tilly's scope included a service level analysis, staffing deployment options, fiscal analysis, and review of alternative service models and governance structure. This work included reviewing the financial impacts of OCSD's departure from FCFA, including its current funding contribution and whether it would be beneficial for FCFA to provide fire

service to Oceano under a contractual fee-for-service arrangement. Baker Tilly interviewed numerous individuals including former FCFA Board members, City Managers/OCSD General Manager, FCFA command staff, FCFA firefighters' union representatives, and others. The consulting team also reviewed numerous documents, including the Joint Powers Agreement, FCFA strategic planning materials, budgets and CalPERS information, service call data, budget information from the two cities, and other documents.

Baker Tilly has completed its assessment and is prepared to provide a presentation to the Arroyo Grande City Council on February 28, 2023, summarizing its recommendations for sustainable and responsive fire and emergency medical services, as well as the anticipated costs of service for both Grover Beach and Arroyo Grande. Baker Tilly will provide a similar presentation to the Grover Beach City Council on February 27, 2023. The recommendations are intended to be implemented beginning in FY 2023-24 to coincide with the withdrawal of the OCSD from the FCFA.

Following the presentation, Baker Tilly will prepare a written report that will be available for consideration as part of the negotiations of a future agreement for fire and emergency services between Grover Beach and Arroyo Grande. Staff for Grover Beach and Arroyo Grande will then develop proposed terms for a new agreement utilizing the information presented in the Baker Tilly report and will present those proposed terms at future City Council meetings this Spring. Information provided by Baker Tilly will also be used to develop the City's upcoming biennial budget for Fiscal Years 2023-25.

Conclusions:

- Although Oceano, Grover Beach, and Arroyo Grande share a common interest in providing efficient and effective fire and emergency response services to our adjoining communities, the OCSD is not able to raise sufficient revenue to pay for the increasing costs of these services, now or in the future.
- The parties' stated intent through the Third Amendment is that the OCSD will withdraw from the FCFA effective June 30, 2023. This intent needs to be allowed to occur.
- The fixed funding formula used over the course of the past three years is unsustainable and has created operational challenges for the FCFA.
- The OCSD's debts and liabilities to the FCFA have yet to be determined through the wind-down process and should be considered as part of LAFCo's review of the Application.
- The Baker Tilly study should be considered by LAFCo as part of its review of the Application, as it will evaluate the consequences of Oceano's exit from the FCFA and will be used by the cities of Arroyo Grande and Grover Beach to develop a new agreement for shared fire and emergency services.
- The City is open and eager to be included in discussions regarding future fire and emergency services within the Five Cities region and regarding the role of the FCFA in those services in the near and long term.

We thank LAFCo for the opportunity to provide preliminary comments on this important issue and look forward to working with LAFCo, the OCSD, the County, and Grover Beach toward a sustainable solution for fire and emergency services for our communities.

Sincerely,

A handwritten signature in blue ink, appearing to read "Whitney McDonald". The signature is fluid and cursive, with the first name being more prominent.

Whitney McDonald
City Manager

**THIRD AMENDMENT TO FIVE CITIES FIRE AUTHORITY
JOINT EXERCISE OF POWERS AGREEMENT**

This Third Amendment to the Five Cities Fire Authority (“FCFA”) Joint Exercise of Powers Agreement, dated June 7, 2010 (“JPA”) (“Third Amendment”), is made and entered into as of July 1, 2020, by and between the cities of Arroyo Grande and Grover Beach, and the Oceano Community Services District (“Oceano”), which are hereinafter referred to as “Party” and “Parties.”

WHEREAS, on June 7, 2010, the Parties entered into a JPA pursuant to Section 6500 et seq. of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, for the purpose of allowing the Parties to share a combined fire department in order to provide efficient and economical fire protection services; and

WHEREAS, in or about May of 2018, the Parties executed a Memorandum of Agreement Amending the FCFA JPA (“First Amendment”) in order to provide an opportunity for the Parties to meet and confer for the purpose of considering amendments to the JPA including, but not limited to, modifications to the funding formula contained in Exhibit B of the JPA (“Funding Formula”), the provisions regarding member withdrawal, and future staffing levels beyond Fiscal Year 2018/19; and

WHEREAS, the First Amendment required the Parties to agree upon amendments to the JPA by April 1, 2019 or the JPA would terminate as of December 31, 2019; and

WHEREAS, in March of 2019, the Parties executed an extension of the First Amendment, which extended the time for the Parties to mutually agree upon JPA Amendments to October 1, 2019; and

WHEREAS, the Parties executed the Second Amendment to the JPA as of July 1, 2019 which required Oceano to undertake the legally required procedures to place a special tax on the March 2020 ballot in accordance with Government Code Section 61121; and

WHEREAS, Oceano did undertake the legally required procedures to place a special tax on the March 2020 ballot which resulted in ballot Measure A-20 falling short of passage by 10 votes (66.1% compared to the required 66.67%); and

WHEREAS, the possibility of a citizen’s initiative to place a special tax measure on the November 2020 ballot was prevented by the COVID-19 pandemic and related statewide shelter at home order; and

WHEREAS, the economic situation of all Parties has drastically changed due to the COVID-19 pandemic and related statewide shelter at home order; and

WHEREAS, the Parties recognize it is in the economic best interests of all Parties to allow additional time for the community of Oceano to place another special tax measure on the ballot; and

WHEREAS, the parties have met in good faith and now desire to amend the JPA.

NOW THEREFORE, in consideration of the mutual covenants and conditions set forth herein, the Parties agree as follows:

1. **Recitals**. The above recitals are true and correct and incorporated herein.

2. **Fiscal Year 2020/21 and 2021/22**. Each Parties' contributions for funding the Fiscal Year 2020/21 and 2021/22 FCFA Budget shall be:
 - A. City of Arroyo Grande \$2,580,955
45.01% _____
 - B. City of Grover Beach \$2,015,115
35.14% _____
 - C. Oceano Community Services District \$1,138,148
19.85% _____
 - D. The Fire Chief will make every effort to maintain a flat budget through the fiscal years that the funding contributions set forth in this Section 2 apply. The Parties acknowledge that use of Fund Balance may be necessary to offset unanticipated or increased costs. In the event of significant emergency costs or purchases necessary during the fiscal years during which this Section 2 applies, the Parties will consider contributing additional funding, subject to FCFA Board budgetary approval. It is acknowledged that any such additional contributions may require the approval of the governing body of one or more Party.

3. **Funding Formula**.
 - A. The Funding Formula contained in Attachment 1 to the Second Amendment to the JPA is hereby amended and replaced in its entirety as set forth in Attachment 1 to this Amendment. All references in the JPA to Attachment 1 shall refer to Attachment 1 of the Third Amendment.
 - B. The funding contributions specified in Section 2 were determined using a transitional formula that modified component 3 of the Funding Formula related to fire stations to reflect current staffing levels. The funding contributions specified in Section 2 will be used for Fiscal Years 2020/21 and 2021/22 and possibly Fiscal Year 2022/23 as provided in Section 4B.
 - C. The Funding Formula will be reviewed by the Jurisdiction every three years in the month of January, commencing 2024.

4. **Ballot Measure**.

- A. Oceano agrees to undertake the legally required procedures to place a special tax on the 2022 primary ballot in accordance with Government Code Section 61121 or Elections Code 9300-9323. Oceano will seek a special tax amount sufficient to enable Oceano to be able to fund its share of the Funding Formula taking into account the priorities of the Strategic Plan as determined by the Five Cities Fire Authority Board of Directors.

- B. If the Oceano ballot measure does not pass and Oceano is unable to fund its share of the Funding Formula, by operation of this Third Amendment and subject to the Wind Down Period (identified below), Oceano will automatically and without further action cease to be a member of the JPA on June 30, 2023. The time between when the County Clerk Recorder concludes that the Oceano ballot measure has failed and June 30, 2023 will be known as the “Wind Down Period.” Oceano agrees that should it no longer be a member agency of the FCFA, the cities of Arroyo Grande and Grover Beach may continue to operate under the trademark name of Five Cities Fire Authority with no further rights of Oceano to that name. Should the ballot measure fail, the funding obligations set forth in Section 2 above for the Fiscal Year 2021/2022 FCFA Budget, shall be the same in Fiscal Year 2022/2023.

- C. If the Oceano ballot measure passes, the Funding Formula set forth in Attachment 1 of the Third Amendment shall apply beginning in Fiscal Year 2022/23.

5. **Wind Down Period.**

- A. During the Wind Down Period, the Parties shall establish the distribution of assets currently owned and/or in the possession of the JPA, including but not limited to major pieces of apparatus and capital equipment.
- B. During the Wind Down Period, the Parties will establish the obligations of the Parties to pay future obligations that were incurred by the FCFA prior to June 30, 2022, including, but not limited to the following:
 - a. Lease payments on Engine 2 and 3; however, the Parties mutually agree and understand that as a result of the dissociation and/or withdrawal of Oceano or any other Party, no Party will be obligated for future payment lease obligations for any Engine that does not remain in the custody, control, and possession of that Jurisdiction.
 - b. Withdrawal and/or dissociation of Oceano or any other Party shall not absolve such Party of liabilities arising out of the participation in the JPA incurred in the ordinary course of business. The Parties mutually agree and understand that as a result of the dissociation and/or withdrawal of Oceano or any other Party, all Parties will remain obligated to pay future FCFA employment related obligations incurred prior to June 30, 2023, including but not limited to pension/PERS, accrued fringe benefits etc.
 - c. During the Wind Down period, the FCFA will perform an unfunded actuarial accrued liability analysis to calculate Oceano or any other dissociating and/or withdrawing Parties' share of unfunded PERS liability, which will be due to the remaining JPA Parties or the City of Arroyo Grande should the JPA be dissolved.
 - d. During the Wind Down Period, the Parties will meet and confer in good faith in regard to the distribution of assets and liabilities as follows:
 - a. A determination as to the distribution of equipment and physical assets by October 1, 2022 (effective June 30, 2023).
 - b. An estimate as to the distribution of debt, employment liability, pension/PERS and other post-employment obligations by February 1, 2023 (effective June 30, 2023).
 - c. An estimate as to the distribution of all other assets by March 1, 2023 (effective June 30, 2023).
 - e. The parties mutually agree and understand that any liability related to unresolved claims or litigation existing prior to June 30, 2023 will remain the obligation of all Parties whether remaining members of the FCFA or not.
 - f. Prior to October 1, 2023, the Parties shall complete a post-dissociation reconciliation of all assets and liabilities incurred prior to June 30, 2023. Any party owing funds shall pay such funds to the other immediately upon determination. The parties agree to cooperate in completing this post closing reconciliation.

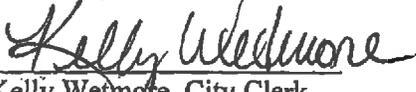
6. **Effect of Amendment.** All other provisions of the JPA shall remain unchanged and in full force and affect. To the extent there is inconsistency between this Amendment and the JPA, the terms of this Amendment shall control, including but not limited to JPA Sections 6.B, 8.B(3), and 17.
7. **Counterparts.** This Amendment may be executed in any number of counterparts and by the Parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.
8. **Severability.** If any part of this Amendment is found to be in conflict with applicable laws, that part will be inoperative, null and void insofar as it is in conflict with any applicable laws, but the remainder of the Amendment will remain in full force and effect.

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment to be executed by their proper officers hereunto duly authorized.

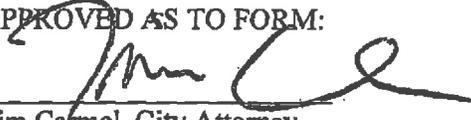
CITY OF ARROYO GRANDE


Caren Ray Russom, Mayor

ATTEST:


Kelly Wedmore, City Clerk

APPROVED AS TO FORM:


Tim Carmel, City Attorney

CITY OF GROVER BEACH

Jeff Lee, Mayor

ATTEST:

Wendi Sims, City Clerk

APPROVED AS TO FORM:

David Hale, City Attorney

OCEANO COMMUNITY SERVICES DISTRICT

Linda Austin, President

ATTEST:

By:

APPROVED AS TO FORM:

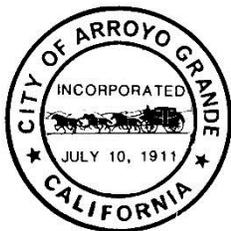
Jeff Minnery, District Counsel

ATTACHMENT 1

FUNDING FORMULA

Should the ballot measure pass, effective July 1, 2022, the Parties shall bear the costs of the Five Cities Fire Authority according to the following formula, to be calculated every three years when the budget is prepared. If the ballot measure fails, the funding will be in accordance with Section 4.B of this Third Amendment.

1. 33.33% of costs shall be assessed among the Parties in proportion to the population of each Jurisdiction as most recently determined by the U.S. Census and any intervening estimates prepared by the California Department of Finance when the Fire Chief prepares each annual budget.
2. 33.33% of costs shall be assessed among the Parties in proportion to the number of annual service calls, calculated on a three-year rolling average in each Jurisdiction as most recently determined when the Fire Chief prepares each annual budget.
3. 33.33% of costs shall be assessed among the Parties in proportion to the number of fire stations and personnel located in each Jurisdiction.



MEMORANDUM

TO: City Council

FROM: Whitney McDonald, City Manager

SUBJECT: Receive an Update Regarding the Five Cities Fire Authority (FCFA), the Results of the Oceano Fire Tax Measure A-22, and the Process for a Wind-Down Period as Defined by the Third Amendment to the FCFA Joint Exercise of Powers Agreement

DATE: August 9, 2022

SUMMARY OF ACTION:

Receive an update on the results of the Oceano Fire Tax Measure A-22 from the June 2022 election and the process for a wind-down period as defined by the Third Amendment to the FCFA Joint Exercise of Powers Agreement (JPA).

IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

Significant staff time will be required to assist during the wind-down process and the development of a new agreement governing fire service through the FCFA.

RECOMMENDATION:

Receive an update on the results of the Oceano Fire Tax Measure A-22 from the June 2022 election and the process of the wind-down period as defined by the Third Amendment to the Five Cities Fire Authority Joint Exercise of Powers Agreement.

BACKGROUND:

The Five Cities Fire Authority (FCFA) was formed on July 9, 2010, through a Joint Exercise of Powers Agreement (JPA) entered into by the City of Arroyo Grande (City), the City of Grover Beach, and the Oceano Community Services District (OCSD). The FCFA is a consolidation of three individual fire departments, operating out of the three existing member community fire stations. Together, the FCFA provides integrated and efficient fire and emergency medical services to the three communities, serving approximately 40,000 residents.

In 2017, the FCFA Board of Directors adopted a five-year Strategic Plan. The Strategic Plan outlines the investments that were deemed necessary to replace obsolete capital equipment, including fire engines and self-contained breathing apparatus, and to provide

Item 11.a.

City Council

Receive an Update Regarding the Five Cities Fire Authority (FCFA), the Results of the Oceano Fire Tax Measure A-22, and the Process for a Wind-Down Period as Defined by the Third Amendment to the FCFA Joint Exercise of Powers Agreement August 9, 2022

Page 2

staffing levels needed to ensure appropriate levels of service for the three member agencies.

In June 2019, an amendment to the Joint Exercise of Powers Agreement (Second Amendment¹) was approved that altered the funding formula used to determine each member community’s share of the FCFA’s costs and ensure funding consistent with the Strategic Plan. These alterations would go into effect if OCSD was successful in passing a special tax measure in 2020 to raise additional revenue for its fire and emergency service costs. The Second Amendment also identified a defined “wind-down” process and timeline should the OCSD ballot measure fail or should a member community leave the JPA or the JPA be dissolved.

As required under the Second Amendment, OCSD placed a special tax measure on the March 2020 ballot. Although over 66% of Oceano voters supported the measure, it fell 10 votes short of the 66.67% necessary to enact the special tax and the measure failed. As proposed, the special tax measure would have raised approximately \$422,000 annually for the OCSD to use for emergency and fire services to the Oceano community. This amount would increase up to 2% annually.

Following the outcome of the OCSD’s 2020 ballot measure, the parties approved a Third Amendment to the JPA in July 2020. Under these terms of the Third Amendment, costs to the City of Arroyo Grande for fire service were to remain the same, \$2,580,955 per fiscal year, through at least June 30, 2022. The Third Amendment also required the OCSD to place a new special tax measure on the ballot for the primary election occurring in 2022. If the measure passed, the new funding formula set forth in the Second Amendment to the JPA would take effect on July 1, 2022. If the 2022 ballot measure failed, the City’s costs would remain at their current levels through a one-year wind down period (and related work program) that would result in the OCSD no longer being a part of the JPA, effective June 30, 2023.

Measure A-22 was placed on the ballot in Oceano by OCSD in June 2022, as required under the Third Amendment. Measure A-22 failed to gather a two-thirds majority vote, with the final results certified on July 7, 2022, as follows:

YES	775	57.75%
NO	567	42.25%

¹ The First Amendment was a Memorandum of Agreement approved in May 2018, which was intended to facilitate a negotiation of the existing cost sharing methodology in light of the increased investment called for in the Strategic Plan.

City Council

Receive an Update Regarding the Five Cities Fire Authority (FCFA), the Results of the Oceano Fire Tax Measure A-22, and the Process for a Wind-Down Period as Defined by the Third Amendment to the FCFA Joint Exercise of Powers Agreement August 9, 2022

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ANALYSIS OF ISSUES:

With the failure of Measure A-22, the Third Amendment states that the OCSD will cease to be a member of the JPA effective June 30, 2023. The period between certification of the June 2022 election results and June 30, 2023 is defined as the wind-down period. During this time, the Cities of Arroyo Grande and Grover Beach may negotiate a new, or modified, JPA and maintain the right to use the trademark name of “Five Cities Fire Authority.” The work program elements of the wind down process include:

- A determination as to the distribution of equipment and physical assets by October 1, 2022 (effective June 30, 2023).
- An estimate as to the distribution of debt, employment liability, pension/PERS and other post-employment obligations by February 1, 2023 (effective June 30, 2023).
- An estimate as to the distribution of all other assets by March 1, 2023 (effective June 30, 2023).

A summary of the wind down process was shared on July 15, 2022, with the FCFA Board of Directors and separately with the FCFA Managers Group, comprised of the City/General Managers of the three member agencies. The FCFA staff report (Attachment 1) includes the list of work program tasks, flow chart of decision making, and the Third Amendment. The Managers Group will meet regularly during the fiscal year to oversee the implementation of the wind-down process and the expected dates of completion for each work program task. FCFA staff has completed much of the required inventory identification and equipment valuation and has engaged an actuary to carry out the necessary analysis of pension liabilities.

In addition, a separate process will occur between the remaining FCFA member agencies of Arroyo Grande and Grover Beach to determine the desired level of fire and emergency medical services and funding needs for the respective communities. The discussions, led by the City Managers of the two cities, will include negotiations regarding potential modification or dissolution of the JPA and various options for consideration of contract service delivery. Staff will share regular updates with the City Council and will bring an agenda item on the status of this process to the Council this fall for input and direction, with an anticipated completion in early 2023, before completion of the wind down process required by the Third Amendment.

ALTERNATIVES:

The following alternatives are provided for the Council’s consideration:

1. Receive an update on the results of the Oceano Fire Tax Measure A-22 and the wind down process as defined by the Third Amendment to the Five Cities Fire Authority Joint Exercise of Powers Agreement; or
2. Provide other direction to staff.

Item 11.a.

City Council

Receive an Update Regarding the Five Cities Fire Authority (FCFA), the Results of the Oceano Fire Tax Measure A-22, and the Process for a Wind-Down Period as Defined by the Third Amendment to the FCFA Joint Exercise of Powers Agreement August 9, 2022

Page 4

ENVIRONMENTAL REVIEW:

No environmental review is required for this item.

PUBLIC NOTIFICATION AND COMMENTS:

The Agenda was posted at City Hall and on the City's website in accordance with Government Code Section 54954.2.

Attachments:

1. July 15, 2022 FCFA Staff Report with Third Amendment

Item 11.a.



STAFF REPORT

TO: Chair and Board Members **MEETING DATE:** July 15, 2022

FROM: Stephen Lieberman, Fire Chief/Executive Officer

SUBJECT: Status Update – Oceano Measure A-22 & Wind Down Period

RECOMMENDATION

It is recommended that the Board of Directors (Board) receive an update summarizing the results of the July 2022 election, and the process for a wind down period as defined by the Third Amendment to the Five Cities Fire Authority (FCFA) Joint Exercise of Powers Agreement.

BACKGROUND

The third amendment to the FCFA JPA was executed by the member communities in 2020 following the narrow failure of Oceano Community Services District (OCSD) Measure A-20, along with the economic uncertainty associated with a global pandemic (COVID-19). The Third Amendment to the JPA directed Oceano to attempt to pass a similar revenue measure in June 2022, locked community contributions for the FCFA operating budget at FY 2019-2020 levels for a 3-year period, and defined a process should the 2022 revenue measure pass or fail.

OCSD Measure A-22

Measure A-22 failed to gather a two-thirds majority vote. Final results were certified on July 7, 2022 and reflect:

YES	775	57.75%
NO	567	42.25%

Wind Down Period

With the failure of the ballot measure, the agreement states that the OCSD will cease to be a member of the JPA effective June 30, 2023. The period between certification of the election (July 7, 2022) and June 30, 2023 is defined as the “Wind Down Period.” During this time, Arroyo Grande and Grover Beach may negotiate a new or modified JPA and

maintain the right to use the trademark name of “Five Cities Fire Authority.” During this period, the communities will be involved in a work program defined in the third amendment document (Reference attachment 1). Work program components include:

- Establish the distribution of assets of the JPA
- Establish the obligations of the JPA including:
 - Lease payments on apparatus
 - Unfunded PERS liability for any disassociating or withdrawing member community
 - Other employment related liability
- Post Dissociation reconciliation of assets and liabilities. Any party owing funds to the other shall pay such funds to the appropriate agency.

ANALYSIS OF ISSUES

During the wind down period, two processes will likely occur simultaneously. The first is the actual work program defined by the third amendment. The second will be conversations between Arroyo Grande and Grover Beach to determine desired levels of fire and emergency service response, the related funding need (Reference attachment 2) and negotiations for amending the JPA to a two-party agreement, dissolution of the JPA or some other mutually agreeable JPA structure.

FCFA staff has completed much of the required inventory identification, equipment valuation, and has worked with a PERS actuary to determine initial pension liabilities. FCFA will engage the actuary to perform a more focused analysis during the wind down period.

FISCAL IMPACT

There will be expenditures required for the PERS actuarial work product. As stated in the third amendment, the Fire Chief may request additional funding if needed. Such a request would likely require approval by the governing body of one or more party.

ALTERNATIVES

The following alternatives are provided for the Board’s consideration:

1. Receive and file staff report.
2. Provide other direction to staff.

ATTACHMENTS

1. FCFA Wind Down Period Tasking
2. FCFA Wind Down Period Flow Chart
3. Third Amendment to Five Cities Fire Authority Joint Exercise of Powers Agreement

PREPARED BY

S. Lieberman, Fire Chief/Executive Officer

Wind Down Period Tasking

October 1, 2022

- Determination of equipment and physical assets

February 1, 2023

- Estimate as to the distribution of:
 - Debt
 - Employment Liability
 - Pension/PERS
 - All other post-employment obligations

March 1, 2023

- Estimate as to the distribution of all other assets

June 30, 2023

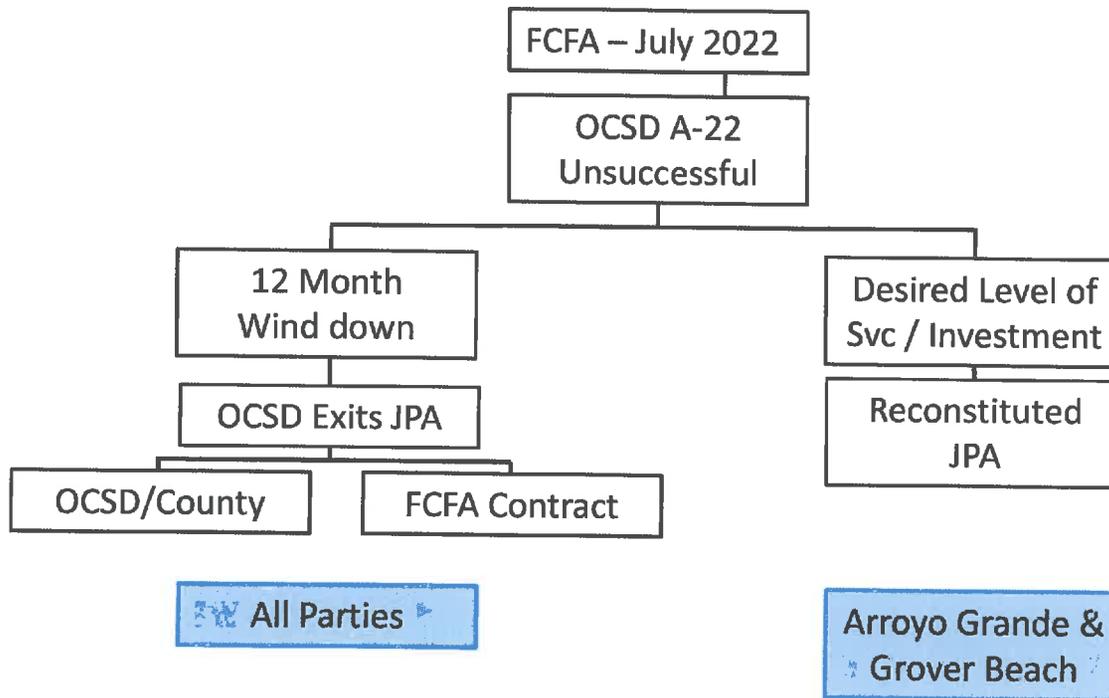
- Oceano CSD exits JPA

Prior to October 1, 2023

- Post-Dissociation reconciliation of:
 - Assets
 - Liabilities
- Any party owing funds shall pay such funds

Attachment 1
July 7, 2022

FCFA Wind Down Period Flow Chart



Attachment 2
July 7, 2022



City of Grover Beach

Mayor Karen Bright

Mayor Pro Tem Anna Miller

Council Member Robert Robert, Council Member Daniel Rushing, Council Member Clint Weirick

*Matthew Bronson
City Manager*

February 24, 2023

Mr. Roy Fitzroy
Executive Officer
San Luis Obispo Local Agency Formation Commission
1042 Pacific St., Suite A
San Luis Obispo, CA 93401

Re: Comments on LAFCO File No. 1-E-23 Oceano Community Services District
Divestiture of Fire Protection Services

Dear Mr. Fitzroy:

I am writing on behalf of the City of Grover Beach (City) in response to the request for comments on the Application of Divestiture of Fire Protection Services (Application) filed by the Oceano Community Services District (OCSD). We appreciate the opportunity to provide preliminary comments and to participate in the review process as appropriate. Please note that, due to the short turnaround time on the request for comments, this letter reflects the preliminary responses of staff and not the formal direction or opinion of the Grover Beach City Council.

As explained in Exhibit C of OCSD Resolution No. 2023-03, the Five Cities Fire Authority (FCFA) was formed on July 9, 2010, through a Joint Exercise of Powers Agreement (JPA) entered into by the City of Grover Beach, City of Arroyo Grande, and the Oceano Community Services District). The FCFA is a consolidation of three individual fire departments, operating out of the three existing member community fire stations. Together, the FCFA provides integrated and efficient fire and emergency medical services to the three communities, serving approximately 40,000 residents.

In 2017, the FCFA Board of Directors adopted a five-year Strategic Plan. The Strategic Plan outlines the investments that were deemed necessary to replace obsolete capital equipment, including fire engines and self-contained breathing apparatus, and to provide staffing levels needed to ensure appropriate levels of service for the three member agencies. In June 2019, an amendment to the Joint Exercise of Powers Agreement was approved that altered the funding formula used to determine each member community's share of the FCFA's costs and ensure funding consistent with the Strategic Plan. These alterations would go into effect if OCSD was successful in passing a special tax measure in 2020 to raise additional revenue for its fire and emergency service costs. The Second Amendment also

154 South Eighth Street ❖ Grover Beach, California 93433 ❖ www.groverbeach.org

identified a defined “wind-down” process and timeline should the OCSD ballot measure fail or should a member community leave the JPA or the JPA be dissolved.

As required under the Second Amendment, OCSD placed a special tax measure on the March 2020 ballot. Although over 66% of Oceano voters supported the measure, it fell 10 votes short of the 66.67% necessary to enact the special tax and the measure failed. As proposed, the special tax measure would have raised approximately \$422,000 annually for the OCSD to use for emergency and fire services to the Oceano community. This amount would have increased up to 2% annually.

Following the outcome of the OCSD’s 2020 ballot measure, the parties approved a Third Amendment to the JPA in July 2022 attached to this letter. Under the terms of the Third Amendment, costs to the three parties were fixed and were to remain the same through at least June 30, 2022. The Third Amendment also required the OCSD to place a new special tax measure on the ballot for the primary election occurring in 2022. If the measure passed, the new funding formula set forth in the Second Amendment to the JPA would take effect on July 1, 2022. If the 2022 ballot measure failed, the parties’ costs would remain at their current levels through a one-year wind down period (and related work program) that would result in the OCSD no longer being a part of the JPA, effective June 30, 2023.

Measure A-22 was placed on the ballot in Oceano by OCSD in June 2022, as required under the Third Amendment. Measure A-22 failed to gather a two-thirds majority vote, with the final results certified on July 7, 2022, as follows:

YES	775	57.75%
NO	567	42.25%

With the failure of Measure A-22, the Third Amendment states that the OCSD will cease to be a member of the JPA effective June 30, 2023. The period between certification of the June 2022 election results and June 30, 2023 is defined as the wind-down period. During this time, the Cities of Grover Beach and Arroyo Grande will negotiate a new, or modified, JPA and maintain the right to use the trademark name of “Five Cities Fire Authority.” The work program elements of the wind down process include:

- A determination as to the distribution of equipment and physical assets by October 1, 2022 (effective June 30, 2023).
- An estimate as to the distribution of debt, employment liability, pension/PERS and other post-employment obligations by February 1, 2023 (effective June 30, 2023).
- An estimate as to the distribution of all other assets by March 1, 2023 (effective June 30, 2023).

A summary of the wind down process was shared with the FCFA Board of Directors on July 15, 2022, and with the Grover Beach City Council on July 25, 2022 (staff report is attached). The FCFA staff report includes the list of work program tasks, flow chart of decision making, and the Third Amendment. The FCFA Managers Group, comprised of the Fire Chief, the City Managers of Arroyo Grande and Grover Beach, and the OCSD General Manager, has been meeting regularly to oversee the implementation of the wind-down process. FCFA staff

has completed much of the required inventory identification and equipment valuation and has engaged an actuary to carry out the necessary analysis of pension liabilities. To date, a list of equipment and assets has been developed and the FCFA's actuary has determined the estimated postemployment obligations of the member agencies. The OCSD has elected to engage its own actuary to evaluate the FCFA's actuarial report. It is anticipated that any assets of the FCFA otherwise attributable to OCSD will be used to offset the total liabilities that OCSD owes to the FCFA for its share of post-retirement benefits.

The result of the Second and Third Amendments to the Joint Powers Agreement and the two failed ballot measures in Oceano has required the FCFA to operate on a fixed, flat budget since July 1, 2019, despite increasing operating costs. The FCFA's current fiscal year budget anticipates that the FCFA's fund balance will reach \$126,678, or 1.79%, of the operating budget by June 30, 2023. It is anticipated that the OCSD's withdrawal from the FCFA, in addition to the deferred investments needed to operate the agency, will result in significant cost increases to the Cities of Grover Beach and Arroyo Grande.

In addition to the wind down process, there has been a separate process underway between the remaining FCFA member agencies (cities of Grover Beach and Arroyo Grande) at the staff level to evaluate the desired level of fire and emergency medical services and funding needs in the respective communities. These discussions are being led by the City Managers of the two cities and initially involved work sessions with FCFA staff and treasurer about current and projected FCFA call volume and staffing and equipment needs.

Given the significance of this issue and potential costs involved, the Arroyo Grande and Grover Beach City Managers engaged an outside consultant (Baker Tilly) in October 2022 to conduct an analysis of fire services for the two cities and provide service and funding recommendations. The Baker Tilly team working on this project has extensive experience in fire services and was led by Rick Haydon, former City Manager in Santa Maria. Mr. Haydon is familiar with the local area and is also completing an organizational assessment of Grover Beach services. There were several other members of the Baker Tilly team, including Larry Waterhouse, a former fire chief in several cities in Southern California. Baker Tilly was chosen given their work with service reviews elsewhere within the Central Coast and their ability to complete this study by early 2023 to inform decisions by the two cities.

Baker Tilly's scope included a service level analysis, staffing deployment options, fiscal analysis, and review of alternative service models and governance structure. This work included reviewing financial impacts of OCSD's departure from FCFA, including its current funding contribution and the benefit for FCFA to provide fire service to Oceano under a contractual fee-for-service arrangement. Baker Tilly interviewed numerous individuals including former FCFA Board members, City Managers/OCSD General Manager, FCFA command staff, FCFA firefighters' union representatives, and others. The consulting team also reviewed numerous documents, including the Joint Powers Agreement, FCFA strategic planning materials, budgets and CalPERS information, service call data, budget information from the two cities, and other documents.

Baker Tilly has completed its assessment and is prepared to provide a presentation to the Grover Beach City Council on February 27, 2023, summarizing its recommendations for sustainable and responsive fire and emergency medical services, as well as the anticipated costs of service for both Grover Beach and Arroyo Grande. Baker Tilly will provide a similar presentation to the Arroyo Grande City Council on February 28, 2023. The recommendations are intended to be implemented beginning in FY 2023-24 to coincide with the withdrawal of the OCSD from the FCFA.

Following the presentation, Baker Tilly will prepare a written report that will be available for consideration as part of the negotiations of a future agreement for fire and emergency services between Grover Beach and Arroyo Grande. Staff for Grover Beach and Arroyo Grande will then develop proposed terms for a new agreement utilizing the information presented in the Baker Tilly report and will present those proposed terms at future City Council meetings this Spring. Information provided by Baker Tilly will also be used to develop the City's upcoming biennial budget for Fiscal Years 2023-25.

Conclusions:

- Although Oceano, Grover Beach, and Arroyo Grande share a common interest in providing efficient and effective fire and emergency response services to our adjoining communities, the OCSD is not able to raise sufficient revenue to pay for the increasing costs of these services, now or in the future.
- The parties' stated intent through the Third Amendment is that the OCSD will withdraw from the FCFA effective June 30, 2023. This intent needs to be allowed to occur.
- The fixed funding formula used over the course of the past three years is unsustainable and has created operational challenges for the FCFA.
- The OCSD's debts and liabilities to the FCFA have yet to be determined through the wind-down process and should be considered as part of LAFCo's review of the Application.
- The Baker Tilly study should be considered by LAFCo as part of its review of the Application, as it will evaluate the consequences of Oceano's exit from the FCFA and will be used by the cities of Arroyo Grande and Grover Beach to develop a new agreement for shared fire and emergency services.
- The City is open and eager to be included in discussions regarding future fire and emergency services within the Five Cities region and regarding the role of the FCFA in those services in the near and long term.

We thank LAFCo for the opportunity to provide preliminary comments on this important issue and look forward to working with LAFCo, the OCSD, the County, and Grover Beach toward a sustainable solution for fire and emergency services for our communities.

Sincerely,



Matthew Bronson
City Manager

Attachments

**THIRD AMENDMENT TO FIVE CITIES FIRE AUTHORITY
JOINT EXERCISE OF POWERS AGREEMENT**

This Third Amendment to the Five Cities Fire Authority (“FCFA”) Joint Exercise of Powers Agreement, dated June 7, 2010 (“JPA”) (“Third Amendment”), is made and entered into as of July 1, 2020, by and between the cities of Arroyo Grande and Grover Beach, and the Oceano Community Services District (“Oceano”), which are hereinafter referred to as “Party” and “Parties.”

WHEREAS, on June 7, 2010, the Parties entered into a JPA pursuant to Section 6500 et seq. of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, for the purpose of allowing the Parties to share a combined fire department in order to provide efficient and economical fire protection services; and

WHEREAS, in or about May of 2018, the Parties executed a Memorandum of Agreement Amending the FCFA JPA (“First Amendment”) in order to provide an opportunity for the Parties to meet and confer for the purpose of considering amendments to the JPA including, but not limited to, modifications to the funding formula contained in Exhibit B of the JPA (“Funding Formula”), the provisions regarding member withdrawal, and future staffing levels beyond Fiscal Year 2018/19; and

WHEREAS, the First Amendment required the Parties to agree upon amendments to the JPA by April 1, 2019 or the JPA would terminate as of December 31, 2019; and

WHEREAS, in March of 2019, the Parties executed an extension of the First Amendment, which extended the time for the Parties to mutually agree upon JPA Amendments to October 1, 2019; and

WHEREAS, the Parties executed the Second Amendment to the JPA as of July 1, 2019 which required Oceano to undertake the legally required procedures to place a special tax on the March 2020 ballot in accordance with Government Code Section 61121; and

WHEREAS, Oceano did undertake the legally required procedures to place a special tax on the March 2020 ballot which resulted in ballot Measure A-20 falling short of passage by 10 votes (66.1% compared to the required 66.67%); and

WHEREAS, the possibility of a citizen’s initiative to place a special tax measure on the November 2020 ballot was prevented by the COVID-19 pandemic and related statewide shelter at home order; and

WHEREAS, the economic situation of all Parties has drastically changed due to the COVID-19 pandemic and related statewide shelter at home order; and

WHEREAS, the Parties recognize it is in the economic best interests of all Parties to allow additional time for the community of Oceano to place another special tax measure on the ballot; and

WHEREAS, the parties have met in good faith and now desire to amend the JPA.

NOW THEREFORE, in consideration of the mutual covenants and conditions set forth herein, the Parties agree as follows:

1. **Recitals.** The above recitals are true and correct and incorporated herein.

2. **Fiscal Year 2020/21 and 2021/22.** Each Parties' contributions for funding the Fiscal Year 2020/21 and 2021/22 FCFA Budget shall be:
 - A. City of Arroyo Grande \$2,580,955
45.01% _____
 - B. City of Grover Beach \$2,015,115
35.14% _____
 - C. Oceano Community Services District \$1,138,148
19.85% _____
 - D. The Fire Chief will make every effort to maintain a flat budget through the fiscal years that the funding contributions set forth in this Section 2 apply. The Parties acknowledge that use of Fund Balance may be necessary to offset unanticipated or increased costs. In the event of significant emergency costs or purchases necessary during the fiscal years during which this Section 2 applies, the Parties will consider contributing additional funding, subject to FCFA Board budgetary approval. It is acknowledged that any such additional contributions may require the approval of the governing body of one or more Party.

3. **Funding Formula.**
 - A. The Funding Formula contained in Attachment 1 to the Second Amendment to the JPA is hereby amended and replaced in its entirety as set forth in Attachment 1 to this Amendment. All references in the JPA to Attachment 1 shall refer to Attachment 1 of the Third Amendment.
 - B. The funding contributions specified in Section 2 were determined using a transitional formula that modified component 3 of the Funding Formula related to fire stations to reflect current staffing levels. The funding contributions specified in Section 2 will be used for Fiscal Years 2020/21 and 2021/22 and possibly Fiscal Year 2022/23 as provided in Section 4B.
 - C. The Funding Formula will be reviewed by the Jurisdiction every three years in the month of January, commencing 2024.

4. **Ballot Measure.**

- A. Oceano agrees to undertake the legally required procedures to place a special tax on the 2022 primary ballot in accordance with Government Code Section 61121 or Elections Code 9300-9323. Oceano will seek a special tax amount sufficient to enable Oceano to be able to fund its share of the Funding Formula taking into account the priorities of the Strategic Plan as determined by the Five Cities Fire Authority Board of Directors.

- B. If the Oceano ballot measure does not pass and Oceano is unable to fund its share of the Funding Formula, by operation of this Third Amendment and subject to the Wind Down Period (identified below), Oceano will automatically and without further action cease to be a member of the JPA on June 30, 2023. The time between when the County Clerk Recorder concludes that the Oceano ballot measure has failed and June 30, 2023 will be known as the “Wind Down Period.” Oceano agrees that should it no longer be a member agency of the FCFA, the cities of Arroyo Grande and Grover Beach may continue to operate under the trademark name of Five Cities Fire Authority with no further rights of Oceano to that name. Should the ballot measure fail, the funding obligations set forth in Section 2 above for the Fiscal Year 2021/2022 FCFA Budget, shall be the same in Fiscal Year 2022/2023.

- C. If the Oceano ballot measure passes, the Funding Formula set forth in Attachment 1 of the Third Amendment shall apply beginning in Fiscal Year 2022/23.

5. **Wind Down Period.**

- A. During the Wind Down Period, the Parties shall establish the distribution of assets currently owned and/or in the possession of the JPA, including but not limited to major pieces of apparatus and capital equipment.
- B. During the Wind Down Period, the Parties will establish the obligations of the Parties to pay future obligations that were incurred by the FCFA prior to June 30, 2022, including, but not limited to the following:
 - a. Lease payments on Engine 2 and 3; however, the Parties mutually agree and understand that as a result of the dissociation and/or withdrawal of Oceano or any other Party, no Party will be obligated for future payment lease obligations for any Engine that does not remain in the custody, control, and possession of that Jurisdiction.
 - b. Withdrawal and/or dissociation of Oceano or any other Party shall not absolve such Party of liabilities arising out of the participation in the JPA incurred in the ordinary course of business. The Parties mutually agree and understand that as a result of the dissociation and/or withdrawal of Oceano or any other Party, all Parties will remain obligated to pay future FCFA employment related obligations incurred prior to June 30, 2023, including but not limited to pension/PERS, accrued fringe benefits etc.
 - c. During the Wind Down period, the FCFA will perform an unfunded actuarial accrued liability analysis to calculate Oceano or any other dissociating and/or withdrawing Parties' share of unfunded PERS liability, which will be due to the remaining JPA Parties or the City of Arroyo Grande should the JPA be dissolved.
 - d. During the Wind Down Period, the Parties will meet and confer in good faith in regard to the distribution of assets and liabilities as follows:
 - a. A determination as to the distribution of equipment and physical assets by October 1, 2022 (effective June 30, 2023).
 - b. An estimate as to the distribution of debt, employment liability, pension/PERS and other post-employment obligations by February 1, 2023 (effective June 30, 2023).
 - c. An estimate as to the distribution of all other assets by March 1, 2023 (effective June 30, 2023).
 - e. The parties mutually agree and understand that any liability related to unresolved claims or litigation existing prior to June 30, 2023 will remain the obligation of all Parties whether remaining members of the FCFA or not.
 - f. Prior to October 1, 2023, the Parties shall complete a post-dissociation reconciliation of all assets and liabilities incurred prior to June 30, 2023. Any party owing funds shall pay such funds to the other immediately upon determination. The parties agree to cooperate in completing this post closing reconciliation.

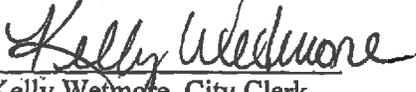
6. **Effect of Amendment.** All other provisions of the JPA shall remain unchanged and in full force and affect. To the extent there is inconsistency between this Amendment and the JPA, the terms of this Amendment shall control, including but not limited to JPA Sections 6.B, 8.B(3), and 17.
7. **Counterparts.** This Amendment may be executed in any number of counterparts and by the Parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.
8. **Severability.** If any part of this Amendment is found to be in conflict with applicable laws, that part will be inoperative, null and void insofar as it is in conflict with any applicable laws, but the remainder of the Amendment will remain in full force and effect.

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment to be executed by their proper officers hereunto duly authorized.

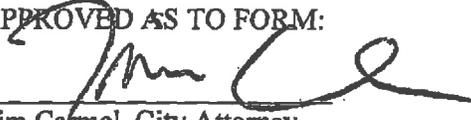
CITY OF ARROYO GRANDE


Caren Ray Russom, Mayor

ATTEST:


Kelly Wedmore, City Clerk

APPROVED AS TO FORM:


Tim Carmel, City Attorney

CITY OF GROVER BEACH

Jeff Lee, Mayor

ATTEST:

Wendi Sims, City Clerk

APPROVED AS TO FORM:

David Hale, City Attorney

OCEANO COMMUNITY SERVICES DISTRICT

Linda Austin, President

ATTEST:

By:

APPROVED AS TO FORM:

Jeff Minnery, District Counsel

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment to be executed by their proper officers hereunto duly authorized.

CITY OF ARROYO GRANDE

Caren Ray Russom, Mayor

ATTEST:

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Jeff Lee, Mayor

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David Hale, City Attorney

OCEANO COMMUNITY SERVICES DISTRICT

Linda Austin, President

ATTEST:

By:

APPROVED AS TO FORM:

Jeff Minnery, District Counsel

ATTACHMENT 1

FUNDING FORMULA

Should the ballot measure pass, effective July 1, 2022, the Parties shall bear the costs of the Five Cities Fire Authority according to the following formula, to be calculated every three years when the budget is prepared. If the ballot measure fails, the funding will be in accordance with Section 4.B of this Third Amendment.

1. 33.33% of costs shall be assessed among the Parties in proportion to the population of each Jurisdiction as most recently determined by the U.S. Census and any intervening estimates prepared by the California Department of Finance when the Fire Chief prepares each annual budget.
2. 33.33% of costs shall be assessed among the Parties in proportion to the number of annual service calls, calculated on a three-year rolling average in each Jurisdiction as most recently determined when the Fire Chief prepares each annual budget.
3. 33.33% of costs shall be assessed among the Parties in proportion to the number of fire stations and personnel located in each Jurisdiction.



CITY COUNCIL STAFF REPORT

TO: Honorable Mayor and City Council **DATE:** July 25, 2022
FROM: Matthew Bronson, City Manager
PREPARED BY: Matthew Bronson, City Manager
SUBJECT: Five Cities Fire Authority Update

RECOMMENDATION

Receive an update on the results of the Oceano Fire Tax Measure A-22 on the June 2022 election and the process for a wind down period as defined by the Third Amendment to the Five Cities Fire Authority Joint Exercise of Powers Agreement.

BACKGROUND

On June 22, 2020, the Council approved a Third Amendment to the Five Cities Fire Authority (FCFA) Joint Exercise of Powers Agreement given the narrow failure of the Oceano Community Services District (OCSD) Fire Tax Measure A-20 in March 2020. Measure A-20 would have assessed a parcel tax on Oceano properties to generate an additional \$422,000 annually for fire and emergency medical services in Oceano. The measure needed 2/3 vote and received 66.6% approval only failing by 10 votes. As a result, the Third Amendment continued the funding formulas set forth in a prior amendment with a commitment from OCSD to seek a new tax measure in 2022. This Third Amendment locked in member contributions at FY 2019-20 levels for a three-year period to provide stability in fire service costs in light of economic challenges at the time related to COVID-19. The amendment also specified a 12-month “wind down” process if the future Oceano tax measure failed which would result in OCSD no longer being a member of the FCFA Joint Powers Authority (JPA).

Measure A-22 was subsequently placed on the ballot in Oceano by OCSD in June 2022 as stipulated under the Third Amendment. The election results certified on July 7, 2022 showed the measure failed to gain a 2/3 majority similar to 2020 with a lower approval percentage of 58%. With the failure of Measure A-22, the “wind down” process goes into effect and OCSD will cease to be a member of the JPA effective June 30, 2023. Below is a summary of the major work program tasks during this wind down period as defined in the Third Amendment:

- Establish distribution of assets of the JPA
- Establish obligations of the JPA including:
 - Lease payments on equipment and apparatus
 - Unfunded PERS liabilities for disassociating or withdrawing member agency
 - Other employment-related liabilities
- Post and determine reconciliation of assets and liabilities with any party owing funds to the other(s) paying such funds to the appropriate agencies

A summary of this wind down process was shared on July 15, 2022 with the FCFA Board and separately with the FCFA Managers Group comprised of the City/General Managers of the three member agencies. The FCFA staff report is shown as Attachment 1 and includes the list of work

Agenda Item No. 8

program tasks, flow chart of decision-making, and the Third Amendment document. Staff would defer to the Council's representative on the FCFA Board (Mayor Lee) to provide further information from the Board perspective. The Managers Group will meet regularly during the fiscal year to oversee the implementation of the wind down process and the expected dates of completion for each work program task. FCFA staff has completed much of the required inventory identification and equipment valuation and has engaged an actuary to carry out the necessary analysis on pension liabilities. Fire Chief Lieberman will be at the July 25th meeting and can provide information on this work done by FCFA staff.

In addition, there will be a separate process between the remaining FCFA member agencies (cities of Grover Beach and Arroyo Grande) about the desired level of fire and emergency medical services and funding needs in the respective communities. The discussions, led by the City Managers of the two cities, will also include negotiations regarding modification or dissolution of the JPA and potential contract service delivery. This work will incorporate the information about potential fire services options presented to the Council on October 12, 2021. This process is anticipated for completion in early 2023 with Council action that will inform the development of FY 2023-25 Council Goals and two-year budget and ensure continuous service beginning July 1, 2023. Staff will share regular updates with the Council and will bring an agenda item on the status of this process to the Council this fall for input and direction.

FISCAL IMPACT

There is no fiscal impact to this agenda item.

ALTERNATIVES

The Council has the following alternatives to consider:

1. Receive an update on the results of the Oceano Fire Tax Measure A-22 on the June 2022 election and the process for a wind down period as defined by the Third Amendment to the Five Cities Fire Authority Joint Exercise of Powers Agreement; or
2. Provide alternative direction to staff.

PUBLIC NOTIFICATION

The agenda was posted in accordance with the Brown Act.

Attachments

1. July 15, 2022 FCFA Staff Report on Measure A-22 and Wind Down Process



STAFF REPORT

TO: Chair and Board Members **MEETING DATE:** July 15, 2022
FROM: Stephen Lieberman, Fire Chief/Executive Officer
SUBJECT: Status Update – Oceano Measure A-22 & Wind Down Period

RECOMMENDATION

It is recommended that the Board of Directors (Board) receive an update summarizing the results of the July 2022 election, and the process for a wind down period as defined by the Third Amendment to the Five Cities Fire Authority (FCFA) Joint Exercise of Powers Agreement.

BACKGROUND

The third amendment to the FCFA JPA was executed by the member communities in 2020 following the narrow failure of Oceano Community Services District (OCSD) Measure A-20, along with the economic uncertainty associated with a global pandemic (COVID-19). The Third Amendment to the JPA directed Oceano to attempt to pass a similar revenue measure in June 2022, locked community contributions for the FCFA operating budget at FY 2019-2020 levels for a 3-year period, and defined a process should the 2022 revenue measure pass or fail.

OCSD Measure A-22

Measure A-22 failed to gather a two-thirds majority vote. Final results were certified on July 7, 2022 and reflect:

YES	775	57.75%
NO	567	42.25%

Wind Down Period

With the failure of the ballot measure, the agreement states that the OCSD will cease to be a member of the JPA effective June 30, 2023. The period between certification of the election (July 7, 2022) and June 30, 2023 is defined as the "Wind Down Period." During this time, Arroyo Grande and Grover Beach may negotiate a new or modified JPA and

maintain the right to use the trademark name of “Five Cities Fire Authority.” During this period, the communities will be involved in a work program defined in the third amendment document (Reference attachment 1). Work program components include:

- Establish the distribution of assets of the JPA
- Establish the obligations of the JPA including:
 - Lease payments on apparatus
 - Unfunded PERS liability for any disassociating or withdrawing member community
 - Other employment related liability
- Post Dissociation reconciliation of assets and liabilities. Any party owing funds to the other shall pay such funds to the appropriate agency.

ANALYSIS OF ISSUES

During the wind down period, two processes will likely occur simultaneously. The first is the actual work program defined by the third amendment. The second will be conversations between Arroyo Grande and Grover Beach to determine desired levels of fire and emergency service response, the related funding need (Reference attachment 2) and negotiations for amending the JPA to a two-party agreement, dissolution of the JPA or some other mutually agreeable JPA structure.

FCFA staff has completed much of the required inventory identification, equipment valuation, and has worked with a PERS actuary to determine initial pension liabilities. FCFA will engage the actuary to perform a more focused analysis during the wind down period.

FISCAL IMPACT

There will be expenditures required for the PERS actuarial work product. As stated in the third amendment, the Fire Chief may request additional funding if needed. Such a request would likely require approval by the governing body of one or more party.

ALTERNATIVES

The following alternatives are provided for the Board’s consideration:

1. Receive and file staff report.
2. Provide other direction to staff.

ATTACHMENTS

1. FCFA Wind Down Period Tasking
2. FCFA Wind Down Period Flow Chart
3. Third Amendment to Five Cities Fire Authority Joint Exercise of Powers Agreement

PREPARED BY

S. Lieberman, Fire Chief/Executive Officer

Wind Down Period Tasking

October 1, 2022

- Determination of equipment and physical assets

February 1, 2023

- Estimate as to the distribution of:

- Debt
- Employment Liability
- Pension/PERS
- All other post-employment obligations

March 1, 2023

- Estimate as to the distribution of all other assets

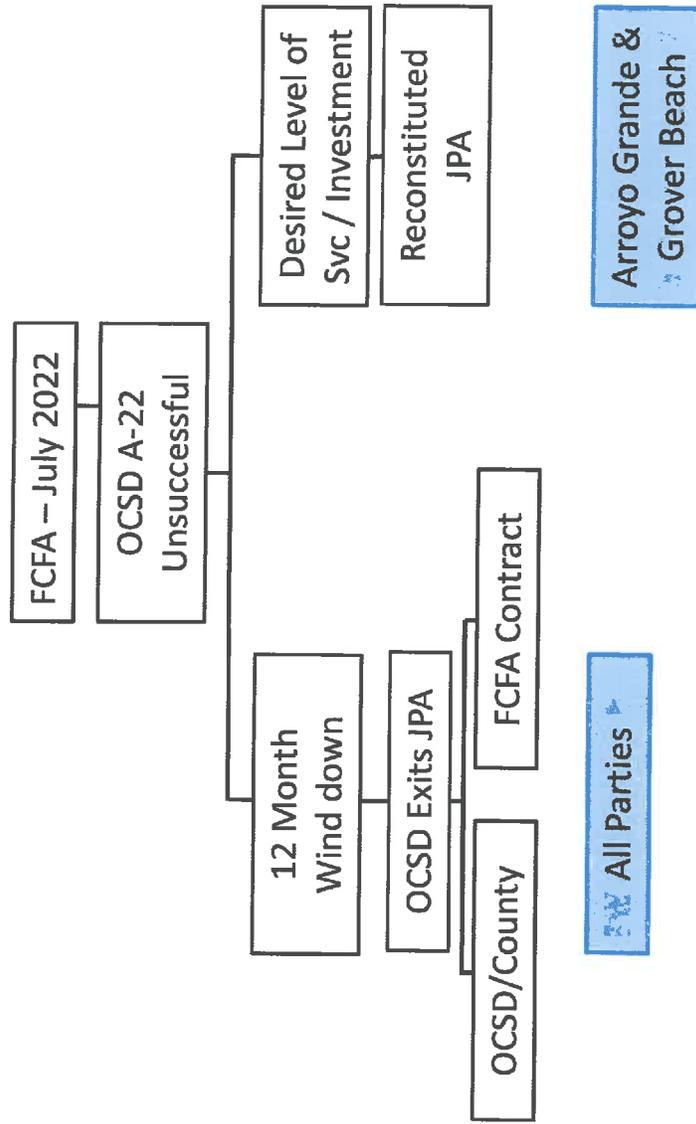
June 30, 2023

- Oceano CSD exits JPA

Prior to October 1, 2023

- Post-Dissociation reconciliation of:
 - Assets
 - Liabilities
- Any party owing funds shall pay such funds

FCFA Wind Down Period Flow Chart



**THIRD AMENDMENT TO FIVE CITIES FIRE AUTHORITY
JOINT EXERCISE OF POWERS AGREEMENT**

This Third Amendment to the Five Cities Fire Authority (“FCFA”) Joint Exercise of Powers Agreement, dated June 7, 2010 (“JPA”) (“Third Amendment”), is made and entered into as of July 1, 2020, by and between the cities of Arroyo Grande and Grover Beach, and the Oceano Community Services District (“Oceano”), which are hereinafter referred to as “Party” and “Parties.”

WHEREAS, on June 7, 2010, the Parties entered into a JPA pursuant to Section 6500 et seq. of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, for the purpose of allowing the Parties to share a combined fire department in order to provide efficient and economical fire protection services; and

WHEREAS, in or about May of 2018, the Parties executed a Memorandum of Agreement Amending the FCFA JPA (“First Amendment”) in order to provide an opportunity for the Parties to meet and confer for the purpose of considering amendments to the JPA including, but not limited to, modifications to the funding formula contained in Exhibit B of the JPA (“Funding Formula”), the provisions regarding member withdrawal, and future staffing levels beyond Fiscal Year 2018/19; and

WHEREAS, the First Amendment required the Parties to agree upon amendments to the JPA by April 1, 2019 or the JPA would terminate as of December 31, 2019; and

WHEREAS, in March of 2019, the Parties executed an extension of the First Amendment, which extended the time for the Parties to mutually agree upon JPA Amendments to October 1, 2019; and

WHEREAS, the Parties executed the Second Amendment to the JPA as of July 1, 2019 which required Oceano to undertake the legally required procedures to place a special tax on the March 2020 ballot in accordance with Government Code Section 61121; and

WHEREAS, Oceano did undertake the legally required procedures to place a special tax on the March 2020 ballot which resulted in ballot Measure A-20 falling short of passage by 10 votes (66.1% compared to the required 66.67%); and

WHEREAS, the possibility of a citizen’s initiative to place a special tax measure on the November 2020 ballot was prevented by the COVID-19 pandemic and related statewide shelter at home order; and

WHEREAS, the economic situation of all Parties has drastically changed due to the COVID-19 pandemic and related statewide shelter at home order; and

WHEREAS, the Parties recognize it is in the economic best interests of all Parties to allow additional time for the community of Oceano to place another special tax measure on the ballot; and

WHEREAS, the parties have met in good faith and now desire to amend the JPA.

NOW THEREFORE, in consideration of the mutual covenants and conditions set forth herein, the Parties agree as follows:

1. **Recitals.** The above recitals are true and correct and incorporated herein.

2. **Fiscal Year 2020/21 and 2021/22.** Each Parties' contributions for funding the Fiscal Year 2020/21 and 2021/22 FCFA Budget shall be:
 - A. City of Arroyo Grande \$2,580,955
45.01% _____
 - B. City of Grover Beach \$2,015,115
35.14% _____
 - C. Oceano Community Services District \$1,138,148
19.85% _____
 - D. The Fire Chief will make every effort to maintain a flat budget through the fiscal years that the funding contributions set forth in this Section 2 apply. The Parties acknowledge that use of Fund Balance may be necessary to offset unanticipated or increased costs. In the event of significant emergency costs or purchases necessary during the fiscal years during which this Section 2 applies, the Parties will consider contributing additional funding, subject to FCFA Board budgetary approval. It is acknowledged that any such additional contributions may require the approval of the governing body of one or more Party.

3. **Funding Formula.**
 - A. The Funding Formula contained in Attachment 1 to the Second Amendment to the JPA is hereby amended and replaced in its entirety as set forth in Attachment 1 to this Amendment. All references in the JPA to Attachment 1 shall refer to Attachment 1 of the Third Amendment.
 - B. The funding contributions specified in Section 2 were determined using a transitional formula that modified component 3 of the Funding Formula related to fire stations to reflect current staffing levels. The funding contributions specified in Section 2 will be used for Fiscal Years 2020/21 and 2021/22 and possibly Fiscal Year 2022/23 as provided in Section 4B.
 - C. The Funding Formula will be reviewed by the Jurisdiction every three years in the month of January, commencing 2024.

4. **Ballot Measure.**

- A. Oceano agrees to undertake the legally required procedures to place a special tax on the 2022 primary ballot in accordance with Government Code Section 61121 or Elections Code 9300-9323. Oceano will seek a special tax amount sufficient to enable Oceano to be able to fund its share of the Funding Formula taking into account the priorities of the Strategic Plan as determined by the Five Cities Fire Authority Board of Directors.

- B. If the Oceano ballot measure does not pass and Oceano is unable to fund its share of the Funding Formula, by operation of this Third Amendment and subject to the Wind Down Period (identified below), Oceano will automatically and without further action cease to be a member of the JPA on June 30, 2023. The time between when the County Clerk Recorder concludes that the Oceano ballot measure has failed and June 30, 2023 will be known as the “Wind Down Period.” Oceano agrees that should it no longer be a member agency of the FCFA, the cities of Arroyo Grande and Grover Beach may continue to operate under the trademark name of Five Cities Fire Authority with no further rights of Oceano to that name. Should the ballot measure fail, the funding obligations set forth in Section 2 above for the Fiscal Year 2021/2022 FCFA Budget, shall be the same in Fiscal Year 2022/2023.

- C. If the Oceano ballot measure passes, the Funding Formula set forth in Attachment 1 of the Third Amendment shall apply beginning in Fiscal Year 2022/23.

5. **Wind Down Period.**

- A. During the Wind Down Period, the Parties shall establish the distribution of assets currently owned and/or in the possession of the JPA, including but not limited to major pieces of apparatus and capital equipment.
- B. During the Wind Down Period, the Parties will establish the obligations of the Parties to pay future obligations that were incurred by the FCFA prior to June 30, 2022, including, but not limited to the following:
 - a. Lease payments on Engine 2 and 3; however, the Parties mutually agree and understand that as a result of the dissociation and/or withdrawal of Oceano or any other Party, no Party will be obligated for future payment lease obligations for any Engine that does not remain in the custody, control, and possession of that Jurisdiction.
 - b. Withdrawal and/or dissociation of Oceano or any other Party shall not absolve such Party of liabilities arising out of the participation in the JPA incurred in the ordinary course of business. The Parties mutually agree and understand that as a result of the dissociation and/or withdrawal of Oceano or any other Party, all Parties will remain obligated to pay future FCFA employment related obligations incurred prior to June 30, 2023, including but not limited to pension/PERS, accrued fringe benefits etc.
 - c. During the Wind Down period, the FCFA will perform an unfunded actuarial accrued liability analysis to calculate Oceano or any other dissociating and/or withdrawing Parties' share of unfunded PERS liability, which will be due to the remaining JPA Parties or the City of Arroyo Grande should the JPA be dissolved.
 - d. During the Wind Down Period, the Parties will meet and confer in good faith in regard to the distribution of assets and liabilities as follows:
 - a. A determination as to the distribution of equipment and physical assets by October 1, 2022 (effective June 30, 2023).
 - b. An estimate as to the distribution of debt, employment liability, pension/PERS and other post-employment obligations by February 1, 2023 (effective June 30, 2023).
 - c. An estimate as to the distribution of all other assets by March 1, 2023 (effective June 30, 2023).
 - e. The parties mutually agree and understand that any liability related to unresolved claims or litigation existing prior to June 30, 2023 will remain the obligation of all Parties whether remaining members of the FCFA or not.
 - f. Prior to October 1, 2023, the Parties shall complete a post-dissociation reconciliation of all assets and liabilities incurred prior to June 30, 2023. Any party owing funds shall pay such funds to the other immediately upon determination. The parties agree to cooperate in completing this post closing reconciliation.

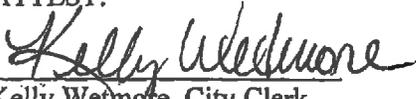
6. **Effect of Amendment.** All other provisions of the JPA shall remain unchanged and in full force and affect. To the extent there is inconsistency between this Amendment and the JPA, the terms of this Amendment shall control, including but not limited to JPA Sections 6.B, 8.B(3), and 17.
7. **Counterparts.** This Amendment may be executed in any number of counterparts and by the Parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.
8. **Severability.** If any part of this Amendment is found to be in conflict with applicable laws, that part will be inoperative, null and void insofar as it is in conflict with any applicable laws, but the remainder of the Amendment will remain in full force and effect.

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment to be executed by their proper officers hereunto duly authorized.

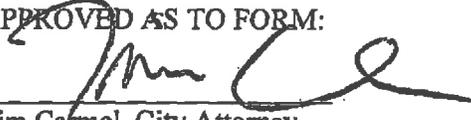
CITY OF ARROYO GRANDE


Caren Ray Russom, Mayor

ATTEST:


Kelly Wedmore, City Clerk

APPROVED AS TO FORM:


Tim Carmel, City Attorney

CITY OF GROVER BEACH

Jeff Lee, Mayor

ATTEST:

Wendi Sims, City Clerk

APPROVED AS TO FORM:

David Hale, City Attorney

OCEANO COMMUNITY SERVICES DISTRICT

Linda Austin, President

ATTEST:

By:

APPROVED AS TO FORM:

Jeff Minnery, District Counsel

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By:

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Jeff Minnery, District Counsel

ATTACHMENT 1

FUNDING FORMULA

Should the ballot measure pass, effective July 1, 2022, the Parties shall bear the costs of the Five Cities Fire Authority according to the following formula, to be calculated every three years when the budget is prepared. If the ballot measure fails, the funding will be in accordance with Section 4.B of this Third Amendment.

1. 33.33% of costs shall be assessed among the Parties in proportion to the population of each Jurisdiction as most recently determined by the U.S. Census and any intervening estimates prepared by the California Department of Finance when the Fire Chief prepares each annual budget.
2. 33.33% of costs shall be assessed among the Parties in proportion to the number of annual service calls, calculated on a three-year rolling average in each Jurisdiction as most recently determined when the Fire Chief prepares each annual budget.
3. 33.33% of costs shall be assessed among the Parties in proportion to the number of fire stations and personnel located in each Jurisdiction.