

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS
OF THE COUNTY OF SAN BERNARDINO
AND RECORD OF ACTION**

**REPORT/RECOMMENDATION TO THE BOARD OF DIRECTORS
OF THE SAN BERNARDINO COUNTY FIRE PROTECTION DISTRICT
AND RECORD OF ACTION**

June 9, 2020

FROM

GARY McBRIDE, Chief Executive Officer, County Administrative Office

DAN MUNSEY, Fire Chief/Fire Warden, San Bernardino County Fire Protection District

SUBJECT

Funding Gap Agreement (LAFCO 3000)

RECOMMENDATION(S)

1. Acting as the governing body of the County of San Bernardino (County):
 - a. Approve **Agreement No. 20-407** with the San Bernardino County Fire Protection District (SBCFPD), with an initial term commencing upon approval by both parties through June 30, 2029 and automatically **renewing for successive** one-year terms thereafter, for the annual allocation of funding to SBCFPD in the amount of \$9,072,873 for 2019-20 and adjusted annually to reflect changes in assessed valuation of taxable property within the boundary of SBCFPD to address the “funding gap” that resulted from the SBCFPD reorganization approved by Local Agency Formation Commission in 2007 (“LAFCO 3000”).
 - b. Approve budget adjustments, as detailed in the Financial Impact Section, needed for the \$9,072,873 allocation to SBCFPD and authorize the Auditor-Controller/Treasurer/Tax Collector to post the adjustments (Four votes required).
2. Acting as the governing body of SBCFPD:
 - a. Approve **Agreement No. 20-407** with the County, with an initial term commencing upon approval by both parties through June 30, 2029 and automatically **renewing for successive** one-year terms thereafter, for the annual receipt of funding from the County in the amount of \$9,072,873 for 2019-20 and adjusted annually to reflect changes in assessed valuation of taxable property within the boundary of SBCFPD to address the “funding gap” that resulted from the SBCFPD reorganization approved in LAFCO 3000.
 - b. Approve budget adjustments, as detailed in the Financial Impact Section, for use of the \$9,072,873 to fund salary and benefit cost increases occurring in 2019-20 from new MOUs with employee groups and to replenish the SBCFPD Special Incidents Reserve Fund depleted through refund of special taxes within Fire Protection Service Zone 5 (Upland and San Antonio Heights) and authorize the Auditor-Controller/Treasurer/Tax Collector to post the adjustments (Four votes required).

(Presenter: Gary McBride, Chief Executive Officer, 387-5417)

COUNTY AND CHIEF EXECUTIVE OFFICER GOALS & OBJECTIVES

Improve County Government Operations.

Operate in a Fiscally-Responsible and Business-Like Manner.

FINANCIAL IMPACT

Approval of this item will result in an ongoing use of Discretionary General Funding (Net County Cost), but will not affect the County's Five-Year Financial Forecast as presented to the Board of Supervisors (Board) on May 5, 2020 (Item No. 8) except for the potential annual changes in assessed valuation of taxable property within the boundary of SBCFPD. The recommended agreement (Agreement) specifies the allocation amount from the County to SBCFPD for 2019-20 as \$9,072,873, which, if the Agreement is approved, will be adjusted annually to reflect changes in assessed valuation of taxable property within the boundary of SBCFPD.

The following budget adjustments are requested to authorize use of the \$9,072,873 in 2019-20 for salary and benefit cost increases resulting from new MOUs with employee groups (\$2,295,860) and replenishment of the SBCFPD Special Incidents Reserve Fund depleted through refund of special taxes within Fire Protection Service Zone 5 - Upland and San Antonio Heights (\$6,777,013).

Fund Center	Commitment Item/GL Account	Description	Increase (Decrease) Amount
<i>SBCFPD Operating Funds:</i>			
Administration:			
1061002410	40909975	Operating Transfers In	\$155,963
1061002410	51001010	Salary and Benefit Expense	\$155,963
Household Hazardous Waste:			
1071602419	40909975	Operating Transfers In	\$5,510
1071602419	51001010	Salary and Benefit Expense	\$5,510
Hazardous Materials:			
1071552421	40909975	Operating Transfers In	\$57,679
1071552421	51001010	Salary and Benefit Expense	\$57,679
Valley Regional Service Zone:			
5800012434	40909975	Operating Transfers In	\$1,218,132
5800012434	51001010	Salary and Benefit Expense	\$1,218,132
North Desert Regional Svc Zone:			
5900022442	40909975	Operating Transfers In	\$431,334
5900022442	51001010	Salary and Benefit Expense	\$431,334
Mountain Regional Service Zone:			
6000042448	40909975	Operating Transfers In	\$221,058
6000042448	51001010	Salary and Benefit Expense	\$221,058
South Desert Regional Svc Zone:			
6100052454	40909975	Operating Transfers In	\$206,184
6100052454	51001010	Salary and Benefit Expense	\$206,184
<i>SBCFPD General Reserve – Special Incidents Fund:</i>			
1069992412	40909975	Operating Transfers In	\$6,777,013
1069992412	37008880	F/B – Available Reserves	\$6,777,013

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Fund Center	Commitment Item/GL Account	Description	Increase (Decrease) Amount
<i>San Bernardino County – General Fund:</i>			
1161161000	55305030	Operating Transfers Out	\$9,072,873
1280001000	56006000	Contingencies	(\$9,072,873)

Subsequent year allocations of funding will be included in the County and SBCFPD recommended budgets beginning in 2020-21.

BACKGROUND INFORMATION

In 2005, the Board submitted an application to the San Bernardino County Local Agency Formation Commission (LAFCO) for reorganization of the then-existing County-governed fire agencies into a single entity to simplify the delivery of fire protection services in the County and to create a more effective and efficient management arrangement for fire protection and emergency medical response services.

During the reorganization process, commonly referred to as LAFCO 3000, LAFCO staff determined that in order to maintain the current levels of service at that time, the historical General Fund support provided by the County for fire operations should continue. Further, LAFCO staff recommended that the amount of General Fund support for FY 2007-08 (equal to \$8,318,318) should be allocated permanently to SBCFPD, through a property tax exchange process under the provisions of Revenue and Taxation Code section 99.02, in order to sever SBCFPD's reliance on the County's General Fund. The Board opposed the LAFCO staff recommendation for the permanent property tax transfer at the County Fire Reorganization Workshop of October 16, 2007 (Item No. 82).

Because the property tax transfer was not approved, SBCFPD has, since the date of the reorganization, had insufficient funding to maintain appropriate levels of service, identified in the Agreement as the "Funding Gap". Subsequent to the reorganization, the County has continued to provide annual allocations of ongoing General Fund dollars to SBCFPD for fire operations and emergency medical services in amounts ranging from \$7.4 million to \$25.6 million. In order to provide better clarity for the County in budgeting amounts to SBCFPD from the General Fund, the County now desires to enter into an agreement with SBCFPD for the purpose of providing a stable annual allocation of ongoing General Fund support to address the Funding Gap based on reconsideration of the financial analysis found in LAFCO 3000. The Agreement supports the social needs of the population of SBCFPD within the County, in the areas of public health and safety.

The Agreement sets forth a methodology to both recalculate the amount of the Funding Gap identified in LAFCO 3000 at the onset and to adjust the amount to capture changes that would have occurred from FY 2007-08 to date assuming that the property tax exchange process under the provisions of Revenue and Taxation Code section 99.02 had occurred in 2007. LAFCO staff (in 2007) identified the amount of \$8,318,318 to be the then-current amount of General Fund dollars the County had allocated for fire and emergency services operations prior to the reorganization in LAFCO 3000.

According to the Agreement, the base amount of \$8,318,318 is reduced by removing funding allocated for operations of the Office of Emergency Services, which is now part of the County's

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General Fund, and for staffing of Station 53 in Baker, as the operations of Station 53 in Baker are now funded annually by the County General Fund. The reduced base amount is \$7,274,184, in FY 2007-08 dollars, and when that amount is updated for changes in assessed valuation of taxable property within the boundary of SBCFPD from FY 2007-08 through FY 2019-20, the amount of the allocation for FY 2019-20 is \$9,072,873.

The Agreement specifies that the amount transferred to SBCFPD will be adjusted annually to reflect the change in assessed valuation of taxable property within the boundaries of SBCFPD, as would occur under a property tax exchange process. These changes in assessed valuation do not include the assessed valuation of taxable property added to SBCFPD by City annexations that became effective on and after July 1, 2016, or annexations of unincorporated areas effective on and after July 1, 2015, as these properties were not within the boundary nor part of SBCFPD when it was reorganized.

The amounts received by SBCFPD pursuant to the Agreement can be used for any lawful purpose of SBCFPD and there is no restriction for use to any service zone or fund. The Agreement may be terminated by the County and replaced upon the execution of a permanent property tax transfer from the County to SBCFPD under the provisions of Revenue and Taxation Code section 99.02. The intention of the County and SBCFPD is that the transfer to be initiated or approved by the County will result in a property tax revenue transfer to SBCFPD in an amount not less than the then-current amount as adjusted and/or calculated under the Agreement.

The initial term of the Agreement commences on the date it is signed and approved by both parties through June 30, 2029. After the initial term, the Agreement **automatically renews for successive** one-year terms and the County or SBCFPD may terminate the Agreement without cause and for its convenience, with an effective date of June 30th, by providing the non-terminating party notice of termination at least one year in advance of the June 30th termination date.

PROCUREMENT

N/A

REVIEW BY OTHERS

This item has been reviewed by County Counsel (Penny Alexander-Kelley, Chief Assistant County Counsel, 387-5455 and Scott Runyan, Deputy County Counsel, 387-5455) on May 5, 2020; Auditor-Controller/Treasurer/Tax Collector (Erika Gomez, General Accounting Manager, 382-3196) on May 5, 2020; Finance (Tom Forster, Administrative Analyst, 387-4635) on May 5, 2020; and County Finance and Administration (Matthew Erickson, County Chief Finance Officer, 387-5423) on May 18, 2020.

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Record of Action of the Board of Supervisors
County of San Bernardino
Record of Action of the Board of Directors
San Bernardino County Fire Protection District

APPROVED (CONSENT CALENDAR)

Moved: Josie Gonzales Seconded: Robert A. Lovingood
Ayes: Robert A. Lovingood, Janice Rutherford, Dawn Rowe, Curt Hagman, Josie Gonzales

Lynna Monell, CLERK OF THE BOARD/SECRETARY

BY 
DATED: June 9, 2020



cc: CAO- Erickson w/agree
 Contractor- C/O CAO w/agree
 File- w/agree
la 06/16/2020