OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: October 8, 2008 **IBA Report Number:** 08-103

Ad Hoc Fire Prevention and Recovery Committee: October 13, 2008

Item Number: 2

Proposition A: San Diego County Regional Fire Protection Ballot Measure

OVERVIEW

At the May 19, 2008 Ad Hoc Fire Prevention and Recovery Committee meeting, the IBA presented Report 08-46, *Report on San Diego Fire-Rescue Needs and Funding Plan,* which outlined a comprehensive overview of the needs of the San Diego Fire-Rescue Department, as well as reviewed possible funding solutions to address these needs. This report was in response to Council President Peters' request to provide "a list of alternative measures and relevant costs to implement the Fire-Rescue Department Station Master Plan to eliminate the City's fire station and staffing deficits within the next ten years."

Also noted in our report, was the work of the Regional Fire Protection Committee, a local intergovernmental group tasked with ensuring the County's region is fully prepared when the next wildfire strikes. Since its inception in January 2008, co-chairs County Supervisor Ron Roberts and Mayor Jerry Sanders have reviewed the needs and funding solutions to address the regional problem of insufficient fire protection. In July 2008, the task force completed its study and issued a final report to the County Board of Supervisors that identified needs and proposed a parcel tax be implemented to provide funding. In accordance, the Board of Supervisors placed a ballot measure, Proposition A, on the November 8, 2008 election.

The goal of this report is to update the Committee on these developments and to provide a better understanding of Proposition A and its potential impacts on the City.

FISCAL/POLICY DISCUSSION

In this report, we begin with a review of the recommendations outlined in the final report of the Regional Fire Protection Committee, followed by an overview of Proposition A. Specifically, we focus on the possible impacts and opportunities that the ballot measure could have on the Fire-Rescue Department and its ability to address the needs that we have previously identified. Furthermore, we identify the most significant priorities and outline our possible funding capacity to address these priorities, pending the passage of the ballot measure. Finally, we note some operational and policy concerns regarding the ballot measure.

I. The Findings of the Regional Fire Protection Committee

As we have noted in our previous report, the findings presented at the Regional Fire Protection Committee have further underscored the need for additional staffing and apparatus, both at the City and County level. San Diego County is the only county in the state that does not have a regional fire department; therefore in response to the 2007 October wildfires, the second major firestorm in recent history, the Committee dedicated its work to reviewing regional fire needs and possible solutions. Specifically, the Committee was tasked with (a) assessing the regional needs for fire apparatus, including helicopters and other firefighting aircraft, the regional communications system and surveillance technology; (b) evaluating possible funding sources; (c) examining the initial and ongoing costs of the various alternatives, such as leasing versus buying equipment; (d) reviewing government codes, policies and ordinances as they relate to fire protection; and (e) considering short-term and long-term options related to creating a regional fire authority. Throughout this past spring and summer, the Committee has received information from local and state fire officials and issued their final report in July 2008.

The Regional Fire Protection Committee's final report does not specifically quantify the needs in each municipality and/or those for the region as a whole. The proposed Regional Agency, if the measure is approved by the voters, would ultimately be responsible for deciding specifics on regional needs, including the number and type of apparatus and equipment needed. In summary, the report does recommend that a Joint Powers Authority (JPA) would be the best governance structure for the San Diego region. It further states and concludes that, after reviewing a variety of funding methods, a parcel tax would be the most effective form of funding to support the agency. The revenue will be equally allocated between the regional JPA and local municipalities, proportional to the tax revenue generated in each municipality.

II. Overview of Proposition A

Primarily, the purpose of Proposition A is two-fold: the adoption of a County parcel tax to generate tax revenue for local and regional firefighting needs and the creation of a Regional Agency.

The annual parcel tax will commence July 1, 2009 and sunset in 30 years (unless an extension is approved by the voters). All parcels in the County of San Diego that have been identified by a parcel number according to the County Assessor and/or identified/treated as a parcel by the State of California will be taxed. The tax is illustrated in the table below:

Parcel Size	Tax Amount
Up to 10,000 sq. ft. and up to 50 acres	$52.00 per parcel
Over 10,000 sq. ft. and/or greater than 50 acres	$52.00 per parcel
- Additional tax if over 10,000 sq. ft.	$0.01 per sq. ft.
- Additional tax if over 50 acres	$1.00 per acre

*** Maximum $1,000 Annual Parcel Tax on All Parcels**

Given the above tax amounts and number of parcels within San Diego County, it is anticipated that approximately $50 million will be generated annually for the region, as depicted in the following table:

JURISDICTION	TOTAL PARCELS	ESTIMED ANNUAL REVENUE PER JURISDICTION
Chula Vista	60,913	$3,339,169
Coronado	10,898	$402,952
El Cajon	20,431	$1,183,163
Escondido	33,722	$1,905,317
La Mesa	16,796	$919,252
National City	9,820	$559,336
Oceanside	57,992	$2,932,626
San Diego	**368,221**	**$20,467,321**
Carlsbad	55,745	$2,206,073
Del Mar	4,538	$128,469
Vista	21,696	$1,280,338
San Marcos	21,894	$1,237,067
Imperial Beach	5,545	$295,483
Lemon Grove	7,113	$382,360
Santee	15,790	$865,835
Poway	14,970	$862,023
Solana Beach	13,004	$322,128
Encinitas	21,924	$1,180,403
UNINCORPORATED	202,542	$9,273,948
Total	**214,699**	**$49,743,263**

According to the proposition, revenues are to be divided equally among the Regional Agency for regional purposes and local agencies for local purposes. Given the proportion of parcels within the City of San Diego, approximately $20 million is estimated to be generated annually. Therefore, given that 50% of revenues will be allocated to the Regional Agency, the *City of San Diego can anticipate approximately $10 million in revenue upon the passage of this measure*.

Maintenance of Effort Requirement

Although 50 percent of revenue will be allocated for local agencies, these agencies must abide by a Maintenance of Effort (MOE) Requirement that stipulates that such revenues *must augment, not supplant* funding used for firefighting-related expenses. Additionally, the revenues may not be used as a replacement for developer funding for fire protection purposes.

Joint Powers Agency (JPA) Organization Structure

As outlined below, the agency will be governed by a board of directors, ten voting and up to five non-voting members:

- One member of the County Board of Supervisors to be selected from one of the two Supervisors whose districts encompass most of the unincorporated area of San Diego.
- One member from the City of San Diego. As specified in the ballot language, the Mayor will be the City's representative. The Mayor has the discretion to select a designee, but this designee is required to be a member of the City Council. Also, the City Council will need to select one of its members to be an alternate to the Mayor, in his absence.
- Four members will be selected from the other 17 cities in the County to represent North Coastal, North Inland, East and South. Representatives will be selected from the Council of these cities.
- Four members from the independent special districts (fire protection districts, water districts). Representatives will be selected from the governing bodies of these districts.
- Up to five non-voting members to include representatives from Cal Fire, the U.S. Forest Service, one of the Indian Reservation Fire Departments, the U.S. Navy and the U.S. Marines.

Except for the City of San Diego, a member of the JPA Board may be removed, if so determined, by the member's appointing body.

Additionally, the JPA will have the power to appoint a technical advisory committee of "firefighting professionals" to monitor and make recommendations to the board and Agency staff in regard to all equipment within the agency's authority.

An Independent Oversight Committee, which will be established by the County Board of Supervisors, will function as an advisory body, providing oversight and accountability regarding the allocation and use of the parcel taxes. This Committee will consist of five members, appointed by each member of the Board of Supervisors from within that member's supervisory district, based on qualifications established by the Board.

III. Funding Opportunities Pending Passage of the Ballot Measure

As part of our report on identifying unfunded needs, we reviewed the status of the City's Fire and Lifeguard Facilities Improvement Program. This program, funded through a series of bonds, was initiated to address the rehabilitation of aging fire and lifeguard facilities; however, when the City lost its ability to access the public bond market, the program stalled and numerous projects identified have yet to be completed.

If the ballot measure passes, the Fire-Rescue Department has communicated to us their intent to reestablish the Fire and Lifeguard Facilities Improvement Program, with the focus on building five new fire stations and adding a truck or engine company to two other existing fire stations. Based on information from the Fire-Rescue Department, it is estimated that this will require one time funding of approximately $57.3 million and ongoing funding of $16.5 million for operational needs. We believe this direction is consistent with previous direction and would enable the City to move forward quickly as these priorities have previously been vetted and, in some instances, land has already been purchased and/or designs have been completed.

Monies from Proposition A are limited and must be used to augment, not supplant, existing resources. It is our understanding that only those projects that will add/enhance fire protection services (i.e. new stations, the addition of a truck/engine to an existing station) would be permissible. However, further clarification is needed to understand whether Proposition A funds could be utilized to address the City's significant deferred maintenance in existing fire stations.

Bonding

The City's ability to issue bonds will impact the number of projects the City will be able to accomplish. The following depicts a basic methodology to calculate the total gross amount available for projects if the City were to bond:

Annual amount available to pay debt service	X	Ten times the debt service	=	Gross Amount available for projects (set aside one year's payments)

This is a simplified example to estimate total dollars available via bonding, but does not take into consideration a multitude of factors, including structure or type of debt issued, interest rate, insurance, the City's credit rating, and/or the state of the economy.

Using this methodology and the current estimate of funding to be received from Proposition A and a 30 year term, the maximum the City could bond for would be approximately $90 million ($10 million x 10 = $100 million - $10 million for reserves). As is, the City would need approximately $7 million annually to pay a debt service on bonds that provide $60 million in funding to support the build out of seven stations. Either additional bonds could be issued for additional one-time purchases, or the City would be able to support reoccurring expenses that meet the requirements of Proposition A.

Operational Impacts

If we build these proposed stations, the City will need to identify funding for the operational impact (i.e. staffing). While some Proposition A funds may be available, it is not expected to be sufficient to cover the needs.

It is estimated that each new station (housing either an engine or a truck) will have an annual operating cost of $2.2 million; this includes staffing and maintenance expenses. Based on the current estimates for completion of construction on the seven stations, the following table summarizes that an additional and ongoing expense of $16.5 million will be needed by Fiscal Year 2016:

	Stations	Annual Operating Expense	Cumulative Annual Cost	Prop A Funding Available (estimated)*	Additional Funds Needed
FY2011	1	$2.2 m	$2.2 m	$3.0 m	--
FY2012	1	$2.2 m	$4.4 m	$3.0 m	$1.4 m
FY2013	2	$4.4 m	$8.8 m	$3.0 m	$5.8 m
FY2014	1	$4.4 m	$13.2 m	$3.0 m	$10.2 m
FY2015	1	$2.2 m	$15.4 m	$3.0 m	$12.4 m
FY2016	1	$1.1 m	$16.5 m	$3.0 m	$13.5 m

*Based on an annual debt service payment of $7 million

If this ballot measure is approved, these operating costs will need to be captured in the Mayor's update to the Five Year Outlook.

CONCLUSION

The goal of this report was to provide the Ad Hoc Fire Prevention and Recovery Committee an update on the outcomes of the Regional Fire Protection Committee and information on the upcoming ballot measure (Proposition A). The Committee may request, that if the Proposition is approved, the Mayor return with a specific plan on how these funds will be spent.

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