



STAFF REPORT

Discussion and Direction Regarding Potential Fire Assessment and Other Fire Related Matters.

October 7, 2004

Honorable President and Directors:

Summary: This report provides an update on the potential fire assessment, seeks direction on a course of action and recommends the Directors dialogue on other fire related matters.

Background and Discussion: On August 10, 2004, the Board of Directors engaged MuniFinancial as a special tax consultant for purposes of forming a fire suppression assessment within the Belmont Fire Protection District and levying an assessment thereon subject to voter approval. Since that time, the consultants have made a presentation to the South County Fire Commission, the Fire Commission has discussed the assessment and the consultants have updated a timeline for the proposed assessment.

Status with Consultants

MuniFinancial is at the preliminary phase of their engagement. They have received the parcel data from the District and have developed a three pronged methodology based on: a) Property Loss/Call Data using National Fire Protection Association statistics, b) local call volume and c) local parcel data. The MuniFinancial presentation to the Fire Commission is shown as Attachment 1.

MuniFinancial has developed two balloting timeline scenarios. Scenario 1 assumes ballots are mailed February 4th, followed by the required public hearing on March 23rd and adoption, assuming the 50% threshold is met, on April 13th. Scenario 2 assumes ballots are mailed May 26th, followed by the required public hearing on July 13th and adoption on July 27th. The ballot timelines are shown as Attachment 2.

Staff believes the timelines in Scenario 2 are more realistic and provide for a thoughtful and thorough discussion and analysis of the proposed assessment elements including:

- Assessment engineering
- Proposition 218 compliance review
- Analyze options and propose assessments
- Prepare Engineer's Report
- Developing public information
- Attending workshops
- Preparing resolutions
- Protest Ballot administration
- Preparing and mailing notices
- Coordinating ballot tally

As discussed in greater detail to follow, an additional advantage of the Scenario 2 timeline is that it provides adequate time for the District to fully develop its own financial projections, hear the recommendations of the Special Fire Sub-Committee and respond to the service levels discussion of the

Fire Commission, if any.

Staff seeks the direction from the Director's on which timeline they would prefer to proceed under or requests the Directors provide direction on an alternative course of action for the potential assessment.

Status of South County Fire Commission Deliberations

On September 13th, the Authority Commissioners received a report on service levels which included a multi year operating proforma assuming two fire suppression scenarios: 1) As Is (that is, 3 engine and 1 truck company) and 2) 5th Company Restored. In addition, the Proforma included two results, with and without capital outlay. The Proforma indicates that under most likely operating conditions, the Authority will again run deficits without further corrective action. Table 1 summarizes the fund balance projections for these scenarios.

| Table 1 | | | | | |
|---|-----------|---------------|---------------|---------------|---------------|
| South County Fire Protection Authority | | | | | |
| Fire Assessment Proforma – Ending Fund Balance | | | | | |
| Scenario/Result | FY 2005 | FY 2006 | FY 2007 | FY 2008 | FY 2009 |
| As Is – No Capital | \$211,571 | \$425,917 | \$469,902 | \$521,155 | \$525,409 |
| As Is – With Capital | \$211,571 | \$85,917 | (\$87,098) | (\$133,345) | (\$347,257) |
| 5 th Company – No Capital | \$211,571 | (\$1,294,833) | (\$3,087,823) | (\$4,962,713) | (\$6,987,900) |
| 5 th Company – With Capital | \$211,571 | (\$1,634,833) | (\$3,644,823) | (\$5,617,213) | (\$7,860,566) |

While the Commissioners recognized the need for additional revenue, no conclusions were reached on service levels and no date has been set when a decision, if any, would be reached. The Proforma, including assumptions, is shown as Attachment 3.

The data shown in Table 1 was based on the Authority's total operations, not the District. Only 50% of the funding requirement is the responsibility of the District.

Lastly, it is anticipated that a similar proforma for the District will also be worrisome, as it would be further burdened by the District's cash flow deficit, which has grown to nearly -\$1.1 million during the course of the year. Assuming the direction of the Director's is to continue to proceed with the pre-ballot legwork for the measure, staff will work with the District Directors and MuniFinancial to develop the amount, term, rate class and other key attributes of the assessment beginning next calendar year.

Other South County Fire Authority Matters

The Special Fire Financial Project Sub-Committee appointed by the Directors to develop financial recommendations to address the current and future needs of South County Fire has concluded their work and issued a report. A special meeting has been scheduled for December 14th to hear a presentation from the Chair of the Sub-Committee on their recommendations. The report will be distributed with the agenda packet for that meeting.

As always, the Belmont representatives on the Fire Commission are available to dialogue with members of the Board on other matters involving South County Fire and to take direction from the full board, as needed.

Follow Up:

1. Work with MuniFinancial on assessment measure elements as enumerated in the timeline.
2. Coordinate Sub-Committee presentation.

Public Contact: The meeting has been noticed.

Fiscal Impact: The report is for discussion purposes only and to take direction, if any. Accordingly, there is no fiscal impact associated with this report at this time.

Assuming the Directors proceed with Scenario 2 timeline, little additional consulting expense is anticipated as the bulk of the consultant's time is expended next April.

Recommendation: Proceed with Scenario 2 timeline and await the report from the Special Fire Sub-Committee. This recommendation preserves all of the options for the District Directors regarding service delivery, service levels and revenue alternatives.

Alternatives:

1. Proceed with Scenario 1 timeline.
2. Table assessment efforts until further notice.
3. Take alternative course of action, as directed.
4. With direction, refer the matter back to staff for further study.

Attachment:

1. Special Tax Consultant Presentation to South County Fire.
2. Balloting Timeline.
3. South County Fire Operating Proforma.

Respectfully submitted,

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