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*Executive Officer*

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September 15, 2010 (Agenda)

September 15, 2010  
 Agenda Item 8

Contra Costa Local Agency Formation Commission (LAFCo)  
 651 Pine Street, Sixth Floor  
 Martinez, CA 94553

**Fire Service Report**

Dear Commissioners:

**SUMMARY**

On August 11, the Commission received verbal and written updates from the various fire and emergency medical service providers and labor representatives in Contra Costa County.

Following the updates and public comment, discussion ensued regarding ongoing fiscal and service challenges relating to fire and emergency medical services. The Commission agreed that these ongoing discussions are beneficial and expressed interest in continuing the dialogue. It was agreed that Commissioners would bring to the September 15 LAFCO meeting their thoughts and ideas about short, mid and long-term goals and next steps in continuing these discussions.

Further, the Commission directed LAFCO staff to research and bring back information regarding effects of redevelopment funding on fire and emergency medical services. This information is summarized below.

**FISCAL IMPACTS TO FIRE AND EMERGENCY MEDICAL SERVICES**

The economic and financial market crises have dealt a severe blow to local government finances, both on the revenues and spending sides. Most local governments continue to endure the fallout of the subprime mortgage crisis and foreclosures, declines in property and sales taxes and development related revenue, downturn in economic activity and high unemployment. Further, the impact of the financial market meltdown has severely disrupted the municipal bond market which impacts borrowing and pension benefit costs.

The County Assessor reports that there was a \$4.9 billion decrease in the total tax base for 2010-11, and that Contra Costa County real estate continues its lackluster movement due to the decline in the economy. Some cities have been particularly hard hit over the past three years, as shown in Attachment 1.

The ability of all local fire service agencies in the County is constrained by available revenues and legal limitations on revenue increases. Fire service providers rely on various revenue sources to fund operating costs, including property taxes, service charges, development impact fees, and contributions from city general funds. Fire service funding sources differ markedly among special districts and cities. Among cities, general fund financing sources—sales tax, vehicle license fees and property taxes—tend to be the primary sources of fire service funding. A portion of the general fund contribution is composed of property tax revenues, but most of it is composed of other sources, such as sales and utility tax revenues. Several of the fire service providers have imposed voter-approved special benefit assessments on parcels or dwelling units or special taxes to fund services, including Rodeo Hercules Fire District (RHFD), Kensington FPD (KFPD), Moraga Orinda FD (MOFD) and City of Pinole.

Among fire districts, property taxes are the single most important source of revenues, comprising 85 percent of revenues on average. As a funding source, property taxes are constrained by statewide initiatives that have been passed by voters over the years, including Proposition 13, which limits the ad valorem property tax rate and growth of the assessed value of property, and requires voter approval of certain local taxes; and Assembly Bill 8 (AB8), which establishes property tax allocation formulas.

As discussed in the *LAFCO Fire and Emergency Services Municipal Service Review (MSR)* report, fire district property tax shares vary significantly, with some agencies receiving above average shares (KFPD, MOFD), and others receiving below average shares (East Contra Costa FPD, RHFPD) as shown in Attachment 2. Property tax share accruing to some districts (i.e., ECCFPD and RHFD) are relatively low due to the historically low-cost (volunteer) providers in these areas at the time Prop 13 was implemented. By contrast, property tax shares accruing to KFPD and MOFD are relatively high as higher-cost fire departments were operating in these communities at the time Prop 13 was adopted.

Also, Proposition 98, which California voters approved in 1988, requires the State to maintain a minimum level of school funding. In 1992 and 1993, the Legislature began shifting billions of local property taxes to schools in response to State budget deficits. Local property taxes were diverted from local governments into the Educational Revenue Augmentation Fund (ERAF) and transferred to school districts to reduce the amount paid by the State general fund. Local agencies throughout the State lost significant property tax revenue due to this shift.

In addition to State impacts, further fluctuations in revenue are a result of redevelopment. In some areas, cities and the County have implemented extensive redevelopment projects, and growth in property taxes has accrued over the years to the redevelopment agency rather than the fire district. For this reason, property tax shares in are substantially lower in some areas, and do not cover operating costs.

Redevelopment agencies accumulate their funds by freezing the property tax base within a project area that has been designated as "blighted." With the property tax base frozen, all the affected taxing entities that receive property tax - such as schools, libraries, fire districts and special districts - continue to receive the same share of property tax that they received in the year when the redevelopment plan took effect. Any additional property tax generated above the base year goes to the redevelopment agency. This is generally referred to as "tax-increment financing." The agency does not keep all of the tax-increment. For redevelopment plans adopted or amended after January 1, 1994, a statutory formula requires certain percentages of funds to be passed through to the affected taxing entities. This statutory formula replaced the so-called "pass-through agreements" with taxing agencies whereby the agency agreed to pay an affected taxing agency a portion of the tax increment it received in order to alleviate any fiscal burden or detriment.

In response to the Commission's request, and with assistance from the County Auditor's Office, LAFCO staff has prepared a summary of the "calculated" impacts of redevelopment on property tax by fire district and city (see Attachment 3). It should be noted that there are no redevelopment areas (RDAs) within the Crockett Carquinez FPD, KFPD and MOFD boundaries.

Attachment 3 shows the gross and net AB8 funding by district and city, and the gross and net (i.e., less redevelopment pass-through) effects of redevelopment on fire service revenue. As explained by the County Auditor, there are three types of pass-throughs: 1) AB 1290 - statutory or the required form of pass-through for new or amended RDAs as of 1/1/94, as amended; 2) 33401 - contractual pass-through, prior to 1/1/94, and 3) 2% - pursuant to the Health and Safety Code Section 33676 that allow for a pass-through of up to 2% of the growth on the RDA's base year value annually.

This analysis confirms the conclusions contained in the LAFCO MSR report, whereby, property tax shares in those cities which have implemented extensive redevelopment (e.g., Pittsburg, San Pablo) are substantially lower than in other areas; and fire districts in these areas do not cover operating costs.

The financial ability of agencies to provide service is affected by available funding sources and financing constraints, as well as management practices. The information contained in this report provides a limited analysis of one source of revenue. The expenditure side is equally as important. As noted in the MSR report, employee compensation composes approximately 80 percent of expenditures in the median fire department. For a comprehensive overview of agency expenditures (e.g., operating and capital costs, compensation costs, etc.) and revenues, please refer to the LAFCO *Fire and Emergency Services MSR* report, which is available online at [www.contracostalafco.org](http://www.contracostalafco.org).

## **RECOMMENDATION**

1. Receive report;
2. Discuss goals and next steps; and
3. Provide direction as desired.

Please contact the LAFCO office if you have any questions.

Sincerely,

LOU ANN TEXEIRA  
EXECUTIVE OFFICER

### Attachments

1. Multi-Year Comparison – Contra Costa County Assessed Values (Cities)
2. Excerpt from LAFCO Fire and Emergency Services MSR – Fire District Property Tax Shares
3. Fire District Revenue (Loss) by City and Redevelopment Area

## Multi-Year Comparison – Contra Costa County Assessed Value (Cities)

<u>City</u>	<b>2008-09</b>		<b>2009-10</b>		<b>2010-11</b>	
	<b><u>\$ Gain/Loss in Assessed Value</u></b>	<b><u>% Change</u></b>	<b><u>\$ Gain/Loss in Assessed Value</u></b>	<b><u>% Change</u></b>	<b><u>\$ Gain/Loss in Assessed Value</u></b>	<b><u>% Change</u></b>
Antioch	(936,699,521)	(8.84)	(2,098,386,652)	(21.73)	(369,387,010)	(4.88)
Brentwood	(713,097,055)	(8.84)	(1,296,014,384)	(17.50)	(250,532,965)	(4.10)
Clayton	21,242,854	1.20	(77,371,910)	(4.35)	(16,370,792)	(0.96)
Concord	(7,707,537)	(0.05)	(1,135,426,629)	(8.37)	(237,710,092)	(1.91)
Danville	302,386,454	3.29	(67,575,663)	(0.71)	(198,050,248)	(2.10)
El Cerrito	111,658,361	3.93	(19,262,237)	(0.65)	32,092,851	1.09
Hercules	(106,807,099)	(3.12)	(485,009,945)	(14.63)	(149,642,807)	(5.28)
Lafayette	310,182,918	6.07	179,544,291	3.31	54,323,119	0.97
Martinez	74,623,032	1.65	(188,631,120)	(4.11)	(64,275,004)	(1.46)
Moraga	97,096,630	3.42	54,425,099	1.85	(51,561,618)	(1.72)
Oakley	(187,081,620)	(5.24)	(740,687,728)	(21.93)	(74,778,670)	(2.83)
Orinda	209,923,750	4.81	246,326,332	5.39	(17,078,127)	(0.45)
Pinole	16,184,505	0.82	(142,158,824)	(7.15)	(31,521,009)	(1.70)
Pittsburg	(163,849,722)	(2.61)	(939,648,924)	(15.40)	(85,395,860)	(1.65)
Pleasant Hill	108,973,836	2.36	(152,383,411)	(3.23)	(77,599,929)	(1.70)
Richmond	83,275,215	0.60	(1,896,750,455)	(13.79)	(1,520,091,899)	(12.82)
San Pablo	(49,798,917)	(2.80)	(413,302,417)	(23.95)	(77,516,631)	(5.90)
San Ramon	656,383,017	4.54	(399,786,457)	(2.64)	(214,033,390)	(1.45)
Walnut Creek	256,229,859	2.03	(145,385,375)	(1.13)	(106,633,121)	(0.83)

**EXCERPT FROM LAFCO MUNICIPAL SERVICE  
REVIEW – FIRE AND EMERGENCY MEDICAL  
SERVICES – AUGUST 12, 2009**

*Table 3-10 Fire District Property Tax Shares, FY 2007-08*

<b>District/City</b>	<b>Gross</b>	<b>Net</b>	<b>District/City</b>	<b>Gross</b>	<b>Net</b>
<b>ConFire</b>	14%	12%	<b>East Contra Costa FPD</b>	8%	7%
Antioch	15%	14%	Brentwood	8%	7%
Clayton	15%	10%	Oakley	6%	5%
Concord	13%	12%	Unincorporated	9%	9%
Lafayette	14%	13%	<b>Crockett-Carquinez FPD</b>	12%	12%
Martinez	13%	13%	<b>Kensington FPD</b>	30%	30%
Pittsburg	16%	5%	<b>Moraga-Orinda FPD</b>	21%	21%
San Pablo	20%	4%	Moraga	19%	19%
Pleasant Hill	13%	12%	Orinda	23%	23%
Walnut Creek	13%	13%	Unincorporated	21%	21%
Unincorporated	15%	13%	<b>San Ramon Valley FPD</b>	15%	14%
<b>Rodeo-Hercules FPD</b>	9%	6%	Danville	16%	16%
Hercules	9%	6%	San Ramon	13%	12%
Unincorporated	8%	6%	Unincorporated	17%	17%

2009-10 Fire District Revenue by City and Redevelopment Area Loss

ATTACHMENT 3

City/Fire District	Gross AB8	Gross RDA Loss	Net AB8 Revenue	% of District's Gross AB8	% of District's Net AB8	Pass-Through Total	Net RDA Loss
Antioch	\$ 12,008,554	\$ 1,279,592	\$ 10,728,962	12.67%	13.55%	\$ 430,235	\$ 849,357
Concord	16,188,254	2,134,301	14,053,953	17.08%	17.75%	127,418	2,006,883
Clayton	2,457,157	729,641	1,727,516	2.59%	2.18%	97,697	631,944
Lafayette	7,769,428	556,134	7,213,294	8.20%	9.11%	165,248	390,886
Martinez	5,679,802	0	5,679,802	5.99%	7.17%	0	0
Oakley	-	0	-	0.00%	0.00%	0	0
Pleasant Hill	5,934,523	617,743	5,316,780	6.26%	6.72%	103,719	514,024
Pinole	15,407		15,407	0.02%	0.02%		
Pittsburg	8,721,593	5,878,606	2,842,987	9.20%	3.59%	2,054,455	3,824,151
San Pablo	2,699,731	2,039,519	660,212	2.85%	0.83%	158,866	1,880,653
Walnut Creek	16,398,337	465,748	15,932,589	17.30%	20.12%	0	465,748
Unincorporated	16,921,403	1,918,943	15,002,460	17.85%	18.95%	576,874	1,342,069
<b>Total CCCFPD</b>	<b>\$ 94,794,189</b>	<b>\$ 15,620,227</b>	<b>\$ 79,173,962</b>	<b>100.00%</b>	<b>100.00%</b>	<b>\$ 3,714,512</b>	<b>\$ 11,905,715</b>
Antioch	18,603	0	18,603	0.20%	0.22%	0	0
Brentwood	4,406,935	408,368	3,998,567	48.32%	46.70%	313,059	95,310
Oakley	1,560,357	150,407	1,409,950	17.11%	16.47%	142,862	7,546
Unincorporated	3,135,184	0	3,135,184	34.37%	36.62%	0	0
<b>Total ECCFPD</b>	<b>\$ 9,121,079</b>	<b>\$ 558,775</b>	<b>\$ 8,562,304</b>	<b>100.00%</b>	<b>100.00%</b>	<b>\$ 455,921</b>	<b>\$ 102,856</b>
Hercules	2,483,195	841,688	1,641,507	65.18%	60.33%	129,287	712,401
Unincorporated	1,326,815	247,599	1,079,216	34.82%	39.67%	258,156	(10,558)
<b>Total RHFPD</b>	<b>\$ 3,810,010</b>	<b>\$ 1,089,287</b>	<b>\$ 2,720,723</b>	<b>100.00%</b>	<b>100.00%</b>	<b>\$ 387,443</b>	<b>\$ 701,843</b>
Danville	15,187,896	476,568	14,711,328	29.67%	29.73%	83,370	393,198
San Ramon	18,491,625	1,218,994	17,272,631	36.13%	34.90%	216,747	1,002,247
Walnut Creek	0.01	0	0	0.00%	0.00%	0	0
Unincorporated	17,504,807	0	17,504,807	34.20%	35.37%	0	0
<b>Total SRVFPD</b>	<b>\$ 51,184,328</b>	<b>\$ 1,695,562</b>	<b>\$ 49,488,766</b>	<b>100.00%</b>	<b>100.00%</b>	<b>\$ 300,117</b>	<b>\$ 1,395,445</b>