

**Oceano Community Services District**  
**Report on Public Facilities Fees**  
**April 12, 2017**

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## **Section 1 - Introduction**

### **Purpose**

This report on Public Facilities Fees (PFF's) has been prepared for review by the public and the Oceano Community Services District (District) Board of Directors to support requirements established by the County of San Luis Obispo and California Government Code Section 66000 et seq. (the Mitigation Fee Act). It includes an overview of fiscal, statutory, and capital investment issues relating to the District's receipt and use of the PFF's and provides public reporting information.

The PFF's are collected by the County of San Luis Obispo and transferred to the District. Historically, the District has provided annual information to the County to support requirements of the County's fee program. In addition, the District has also been reporting the amounts of PFF funds held by the District in its annual audited financial statements since June 30, 2012. This report helps to ensure that inter-agency efforts between the County and the District are coordinated more formally in the future as a multi-agency fee program.

### **PFF Agreement with County of San Luis Obispo**

Recently, the County prepared and provided OCSD with an inter-agency agreement "for the purpose of the collection, distribution, and expenditure of impact fees to mitigate the impact of new development on the provision of firefighting and emergency response services." The District's Board of Directors approved the agreement (Attachment "A"), on February 22, 2017.

The agreement with the County will help to ensure that the actions of both agencies are coordinated to comply with statutory requirements. The agreement identifies specific requirements that the District must meet to continue to participate in the County fee program. Those requirements include formal findings that the Board of Directors must adopt by resolution, requirements associated with expending the funds, and reporting requirements. The District's obligations in the County agreement are consistent with statutory requirements.

### **Statutory Requirements**

Government Code Section 66000 et seq., which is also known as the "Mitigation Fee Act" established the requirements associated with collecting and using PFF's.

Several legal cases have interpreted the Mitigation Fee Act and numerous publications have been prepared providing guidance on complying with legal requirements. This report is intended to be part of the District's public record in support of the formal findings and other action(s) of the Board of Directors.

Government Code Section 66000 recognizes that the following two approaches in establishing or imposing PFF's on a Development project:

1. PFF's may be "established for a broad class of projects by legislation of general applicability," or,
2. PFF's may be "imposed on a specific project on an ad hoc basis"

The PFF's established by the County and transferred to the District are those established for a "broad class of projects." The issues and findings supported in this report are therefore based on related requirements. PFF's in Oceano are not imposed on a "specific project on an ad hoc basis" by the District, or by the County for the District.

### **Fee Calculations**

The amount of a fee calculated and established on projects in Oceano are based on the July 26, 2011 update of the County's Public Facilities Financing Plan approved by the Board of Supervisors. The County's most recent five (5) year report on their Public Facilities Fees Program was received by the Board of Supervisors on January 5, 2016, and their most recent annual report was received by the Board on January 24, 2017. These and the other public reports that have been submitted to the Board of Supervisors are incorporated herein by reference as part of the District's public records.

Other requirements that may be imposed on Development projects, including but not limited to complying with the Uniform Fire Code, conditions associated with obtaining water, wastewater and other municipal services, other PFF's that may be established by the County, or other land-use conditions imposed by the County are independent from this report.

### **Five Cities Fire Authority**

The District entered into a Joint Exercise of Powers of Agreement (JPA) with the cities of Grover Beach and Arroyo Grande, dated June 7, 2010 forming the Five Cities Fire Authority (FCFA). Section 8 of the JPA provides that the "Authority itself is not intended to directly own, maintain, or insure any existing building, structure, or facility that is owned at the time of the activation of the Joint Powers Authority..." As a result, the District is responsible for providing a fire station for use by the Authority. In addition, the District is responsible under the JPA for paying its proportional share of costs of capital equipment and other costs of firefighting and emergency services for Oceano.

The Chief of the Five Cities Fire Authority was consulted in the preparation of this report and the March 2017 draft of the Five Cities Fire Authority Strategic Plan was reviewed and referenced in Section 3.

## **Section 2 - Public Facilities Fee Agreement with County of San Luis Obispo**

On February 22, 2017, the Board approved an agreement with the County of San Luis Obispo for the collection and use of Public Facility Fees (PFF's) relating to firefighting and emergency response services. Government Code Section 66000 et seq. authorizes local agencies to collect fees from development projects to mitigate the impact of new development on public facilities. The PFF agreement between the County and the District requires the District to adopt a resolution with the following findings:

- (1) The purpose of the fees and the specific eligible uses.
- (2) That there is a reasonable relationship between new development in Oceano and the firefighting and emergency response capital improvements for which the fees will be used.

In addition, the agreement provides that:

- (3) The District will immediately expend the public facility fees on the identified capital improvements or commit the funds to future capital improvements. In the event that the funds are committed for future expenditure, the OCSD will identify the approximate date of such expenditure and will keep the funds in a separate account to avoid any commingling of the fees with other OCSD revenue.

Lastly, the County agreement specifically provides that the District will submit annual reports to describe the District's progress toward performing its obligations, including public information required pursuant to Government Code Section 66006. The following sections of this report address these requirements.

### **Section 3 - Purpose & Eligible Use of Public Facilities Fees**

Establishing findings supporting the purpose of the PFF's for Oceano and the fees specific eligible uses is important to help ensure that they are appropriate, that they do not exceed a reasonable proportional share of costs attributable to new development, and so they are not challenged and deemed invalid. Fees that exceed reasonable relationships to new development risk being declared as a special tax, could require 2/3<sup>rd</sup> voter approval, could require refunds, and/or be subject to other remedies.

Consistent with the State's Mitigation Fee Act, the purpose of the PFF's received by the District is to defray all or a portion of the cost of public facilities related to new development projects. In other words, the fees establish a cost to new development which should reflect development's proportional share of facilities and capital equipment needed to provide firefighting and emergency services. The eligible uses of the PFF's are, likewise, those facilities and capital equipment needed as a result of new development.

Determining the proportional share of costs that can be funded by PFF's and new development is evaluated in Section 4 of this report.

#### **Facilities and capital equipment to be funded with PFF's**

The County's adopted Public Facilities Plan provides a reference that Oceano and the other special districts have prepared a list of projects. In recently working with the County, District staff was provided a document entitled "Public Facilities Fees Capital Projects List" which included a list of facilities and equipment that was apparently provided by the District to the County in prior years. Those items on the list pertaining to Oceano are shown in Attachment "B."

While researching District records, staff identified other documents that provide supporting evidence that Attachment "B" reflects the list of projects that the District has historically intended to fund with PFF's. The following provides a discussion of the purposes and eligible use of the Fire Station Remodel and acquisitions of fire engines.

## **Station Remodel**

The Station Remodel reflects the need to complete an incomplete facility for permanent housing needs of firefighters/emergency personnel who work shifts. The need is better described as an addition to the existing structure as opposed to modifying or remodeling the existing structure. The District has previously commissioned some preliminary architectural drawings illustrating a floor plan of the station addition. In addition, the existing station is incomplete since it does not have an emergency generator that complies with National Fire Protection Association Standard 110.

## **Permanent Housing**

The primary purpose historically documented for the Station Remodel project is to provide permanent housing for emergency service personnel who work in shifts. Existing temporary housing is provided in a modular unit located on the parking lot behind the Oceano Fire Station. The need for permanent housing is consistent with workplace accommodations to provide emergency shift personnel throughout California. It is also important for employment recruitment and retention.

As an incomplete facility, prior District efforts identified a need for a station addition of approximately 1,800 square feet. Sufficient funds do not exist at this time to pay for the Permanent Housing and Section 5 of this report addresses the schedule of when the District should be committed to undertake this project. Since the fire station is a facility that the District is obligated to provide under the FCFA JPA, and not funded by FCFA, the use of the PFF's for the Station Remodel is anticipated to be directly expended by the District.

## **Emergency Generator**

In addition to the need for permanent housing, the existing fire station is also incomplete since it does not have a permanent generator that can restore power in accordance with National Fire Protection Association Standard 110, including the requirement that emergency power loads be picked up within 10 seconds. Although the District previously had an emergency generator for the fire station, it did not comply with NFPA 110.

The emergency generator was not separately identified in Attachment "B" from the Station Remodel when the most recent update to the County's Public Facilities Financing Plan was approved in 2011. Presumably, it was one of many components of the remodel that would be needed. Annual information provided by the District to the County for fiscal years ending

June 30, 2015 and June 30, 2016 did, nevertheless, separately identify the emergency generator.

Since this report is formally intended to support District findings on the specific eligible uses for PFF's, the emergency generator is now specifically itemized in this report to clarify and confirm that it is a component of an incomplete facility and that it will be constructed in the near future in advance of the remaining construction work needed for permanent housing. Section 5 of this report identifies its anticipated completion in 2017.

### **Fire Engines**

The need for additional fire engines to accommodate higher levels of service for increasing populations has been documented as part of information provided to the County.

The need for a Type 1 Fire Engine at an estimated cost of \$475,000 has been identified for several years. A Type 1 Engine is a conventional urban fire engine. Recent purchases by FCFA indicate costs are more reasonably in the \$550,000 - \$600,000 range, but the \$475,000 is still used in this report for consistency purposes since fees and other costs have also not been adjusted for inflation. It is included in the project list supporting the County's Public Facilities Financing Plan.

A Type 4 Fire Engine, at a cost of \$30,000 is also included on the list supporting the County's Public Facilities Financing Plan. A Type 4 engine is generally referenced as a wild-land engine, but past designations have been inconsistent. Based on the cost estimate, the likely need was identified for a 4 wheel drive patrol vehicle.

Attachment "C" illustrates the equipment list for the District that is included in the FCFA Joint Powers Agreement. Two engines and a patrol vehicle are identified. Expanding the District's vehicle and equipment fleet to three engines and an additional patrol is consistent with a greater level of service needed with new development.

### **FCFA Equipment Needs**

Upon creation of the FCFA in 2010, the District transferred its existing fire apparatus to the FCFA. Recently, FCFA has prepared a draft strategic plan identifying additional capital equipment needs and is in the process of identifying future equipment needs. As a result, the District should anticipate that information provided to the County for the next 5 year update of its Public Facilities Financing Plan should also reflect the District's costs for additional equipment as provided for in the FCFA JPA.

Two (2) Type 1 Fire Engines have been recently ordered or purchased by FCFA. Both are replacement engines and not new apparatus needed to accommodate new development. As a result, the District is funding those replacement engines with local tax revenues and not paying them with PFF's. An additional Fire Engine currently located at the Oceano Fire Station is a loaner from the California State Office of Emergency Services. The loss of this loaner would result in a need for an additional Fire Engine at the Oceano station, but a new engine would not be considered a replacement engine in the event the Cal OES engine was not funded by the community.

The District essentially has two options for funding the new Type 1 Fire Engine for Oceano. The first option is to utilize PFF's for the District's proportional share of costs for new FCFA equipment needed to serve new development in Oceano. The second option is to directly purchase the new equipment and provide it as a District-owned asset for use by FCFA. Since PFF's will not be sufficient to purchase a new engine by the time the County's 2020 Financing Plan must be updated, this report continues to identify the need for Fire Engines as previously identified to the County. Updated information for the County's 2020 Finance Plan update should consider the FCFA Strategic Plan once finalized.

## **Section 4 - Relationship between Oceano Development and Use of Fee; Proportional Cost Sharing Analysis**

This section evaluates the eligible uses of the PFF's and the proportion of costs allocable to new development. In addition to identifying the facilities and equipment in Section 3 that will be funded with PFF's, Government Code Section 66001 requires a reasonable relationship between the fees and type of development on which the fees are imposed.

With approval of the current fees in 2011, the County established the relationship between "square footage" of development and the fee that is calculated for individual development projects. Currently, the PFF is \$0.902 per square foot of a new structure.

This section of the report evaluates the relationship between Oceano development and the use of the fees, as follows:

1. Step #1 – Evaluating Population Data  
Population information from the County of San Luis Obispo is utilized to determine the following:
  - a. Oceano's population when PFF's were initially established.
  - b. The population growths of Oceano after the PFF's were initially established.
  - c. The ratio between pre-existing populations and population representing new development.
2. Step #2 – New Development's Proportionate Share of Costs  
New development's proportionate share of costs for capital facilities and equipment identified in Section 3, based on population and other factors, which is intended to be funded from PFF's; and,
3. Step #3 – Comparing PFF Revenues to Eligible Costs  
Estimates of PFF revenues collected by the County and transferred to the District.

**Step #1 – Evaluating Population Data**

Population Data is provided by the County of San Luis Obispo, Department of Planning and Building. The fee program was started in 1991, and based on interpolating County data, the estimated population of Oceano in 1991 was 6,228. From 1991 to 2055 the estimated population increase is 3,000 or 32.5% of the estimated population at build-out.

Understanding population date is important for allocating costs of eligible uses for multiple reasons. For facilities that provide an equal proportional benefit for the population prior to the fee and the population from new development, the allocation of 67.5%: 32.5% would be appropriate.

1990	6,169
1995	6,462
2000	7,240
2005	7,258
2010	7,277
2015	7,328
2020	7,496
2025	7,871
2030	8,265
2035	8,442
2040	8,636
2045	8,710
2050	8,778
2055 – Estimated Build out	9,228

**Step #2 - New Development’s Proportionate Share of Costs**

The following evaluates each of the capital assets identified in Section 3.

**Fire Station – Construction Costs**

Section 3 identifies the need to construct permanent housing for emergency personnel who work shift schedules.

The current footprint of the Oceano Fire Station is approximately 2,100 square feet. The documented estimate of the permanent housing is 1,800 square feet. The estimated square feet upon completion of the fire station is 3,900 square feet. As an incomplete facility, once completed, new development’s proportionate share would be 32.5% of 3,900 square feet, or 1,267.5 square feet, which is 70.5% of the 1,800 square feet of expansion needed to complete the facility.

Existing Square Feet	2,100 s.f.
Expanded Square Feet	1,800 s.f.
Total	3,900 s.f.
New Population	32.5 %
% of Total Attributable to New Development	1,267.5 s.f.
% of Expansion (1267.5 / 1800)	70.5 %

Estimating new development’s proportionate share of completing the fire station at 70.5% is based on a cost per square foot which values the existing station the same as the cost of the expanded station. The County’s Public Facilities Financing Plan estimates the

construction cost of \$325 per square foot (unadjusted for inflation to be consistent with fee estimates) and does not distinguish between construction costs for fire station housing versus the cost for the remainder of the fire station. As a result, the District is utilizing the estimates incorporated in the County’s Plan and the resulting proportional share eligible for PFF funding is \$408,900 (\$580,000 x 70.5%).

**Fire Station – Land Costs**

The County estimate in the Public Facilities Financing Plan for land costs is \$283,000 per acre. The existing station is located on a lot of approximately 40,000 square feet, of which 22,500 square feet, or approximately ½ acre, is needed for the fire station and ingress/egress of fire apparatus. (As a note, the County estimates that an average station is located on 1.5 acres). With the Oceano Station on ½ acre, the value of the land is \$141,500 (unadjusted for inflation). New development’s proportional share of land costs is 32.5%, or \$46,000.

**Fire Station – Other Considerations**

As development in Oceano has occurred, the transition from a substantially volunteer to a professionally staffed operations has been needed. This transition in Oceano is similar to changes in firefighting and emergencies services throughout California over the past several decades. The transition, in part, is a result of increasing populations because the capabilities of volunteer or part-time operations becomes less feasible as populations increase.

The following calculation illustrates that allocating the entire \$580,000 for the fire station expansion to new development would result in a 41.2% total cost allocation based on estimates of a completed facility, in comparison to 32.5% based solely on population increases.

Construction Costs	3,900 square feet @ \$325 per square foot	\$1,267,500
Land Cost	½ acre @ \$283,000 per acre	\$141,500
	Total	\$1,409,000
New Development Share @ Estimate Expansion Cost	\$580,000	41.2%
New Development Share @ Estimated Population Increase	\$454,900	32.5%

To determine that 41.2% is reasonable to allocate to new development requires the finding that a population of approximately 1,950 can rely on a volunteer or part time firefighting and emergency response personnel. The following illustrates the calculation deriving the 1,950 population amount.

Population served by Volunteer / Part Time	→→→→	→→→→	1,946	←←←←
Existing Population (1991)	6,228	32.5 %	4,282	58.8 %
New Development Population (1991 – 2055)	3,000	67.5 %	3,000	41.2 %
Totals	9,228	100.0 %	7,282	100.0 %

In comparison, to the 1,946 population figure, two communities in San Luis Obispo County that continue to rely on volunteers and part time emergency personnel include Santa Margarita and Cayucos. The 2010 population estimate for Santa Margarita is 1,259 and for Cayucos is 2,529.

The Santa Margarita Fire Protection District website still illustrates that it is a volunteer fire department at <http://santamargaritafiredept.org/>. On June 7, 2016, the Cayucos Fire Protection District requested voter approval to increase its parcel tax to help improve staffing levels. The tax initiative did not pass, and the District continues to operate with staffing that is part-time. In comparison to these Districts, a determination that a population of 1,946 can be accommodated by volunteer / part-time personnel is reasonable.

### **Fire Station – Emergency Generator**

The existing cost estimate for completion of the Fire Station is \$580,000. The County’s Public Facilities Funding Plan has not historically distinguished between expansions for housing versus the emergency generator. Since NFPA Standard 110 does not distinguish between volunteer/ part-time fire departments and full-time fire departments, it is more reasonable to conclude that new development’s share of completing the emergency generator component of the fire station is 70.5% (i.e. 32.5% of the completed structure before accounting for land costs and considering populations that can be served by volunteer / part-time departments).

It should be noted that the emergency generator will also provide power to the District’s administrative office and the District building leased to the County Sheriff. Temporary generators to those facilities could alternatively be connected through existing wiring with modest and relatively inexpensive efforts compared to the \$100,000 estimate for a permanent

generator and automatic power switches required as part of NFPA 110. Based on a cost estimate from an electrical contractor who maintains other District facilities, the cost for establishing wiring to accept a temporary generator is estimated at less than \$10,000. While this cost is relatively negligible, at such time that the Board of Directors approves funding for the emergency generator, \$10,000 of costs will be allocated as non-PFF costs prior to the 70.5% allocation allocable to PFF's.

In summary, the relationship between new development in Oceano and use of the PFF's for completing the Fire Station is reasonable, including allocating the costs of completing the Fire Station to new development.

### **Fire Engines**

Attachment "C" includes the engines and major equipment provided by the District to FCFA with approval of the JPA with the cities of Arroyo Grande and Grover Beach. The Type 1 and Type 4 (Patrol) engines identified in Section 3 of this report will reflect an increase in equipment that is approximately equal to the increase in population. In other words, the existing engines and apparatus represented about 2/3rds of the estimated needs with a build-out population; thus the new development could be obligated to about 1/3 of overall equipment needs. The population ratios of 67.5% : 32.5% are reasonably close to the equipment ratios. Therefore, there is a reasonable relationship between the new development in Oceano and the use of the PFF's for new fire engines.

Since the District will have insufficient PFF's to fund additional fire engines prior to the County's 2020 Public Facilities Financing Plan, the District should update its eligible uses for the PFF's after the FCFA has completed its strategic plan, future equipment needs, and cost estimates.

## Fee Revenue Estimates

Without adjusting for inflation, the District’s estimated costs of eligible use is shown in the following table.

Description of Eligible Facility or Equipment	Proportion Cost to New Development	Local Cost Share	Total Cost Estimate
Permanent Housing for Station	\$480,000		\$480,000 (2)
Emergency Generator for Station	\$63,450	\$36,550	\$100,000 (1)
Type 1 Fire Engine	\$475,000		\$ 475,000 (2)
Type IV Fire Engine	\$30,000		\$ 30,000 (2)
<b>Total</b>	<b><u>\$1,048,450</u></b>	<b><u>\$36,550</u></b>	<b><u>\$1,085,000</u></b>

(1) – Estimate reported to Board of Directors 2/22/2017

(2) – Amounts identified from Attachment “A” (Total “remodel” cost of \$580,000)

### Step #3 – Comparing PFF Revenues to Eligible Costs

The following table provides PFF funds in District possession and estimated PFF’s revenues through 2055.

Fiscal Year	Low Range	High Range	Increase (3)	PFF Fund Balance
June 30, 2012	N/A	N/A	N/A	\$112,683 (1)
June 30, 2013	N/A	N/A	\$14,859	\$127,542 (1)
June 30, 2014	N/A	N/A	\$37,016	\$164,558 (1)
June 30, 2015	N/A	N/A	\$18,084	\$182,642 (1)
June 30, 2016	N/A	N/A	\$7,171	\$189,813 (2)
June 30, 2017	\$12,628	\$23,248	\$17,938	\$207,751
June 30, 2018	\$12,628	\$23,248	\$17,938	\$225,689
June 30, 2019	\$12,628	\$23,248	\$17,938	\$243,627
June 30, 2020	\$12,628	\$23,248	\$17,938	\$261,565
June 30, 2025	\$140,937	\$259,465	\$200,201	\$461,766
June 30, 2030	\$148,078	\$272,612	\$210,345	\$672,111
June 30, 2055	\$361,927	\$666,308	\$514,118	<u>\$1,186,230</u>

Notes: (1) Per Audited Financial Statements; (2) Unaudited; (3) Increases for Fiscal Year 2016-17 and thereafter are based on the average (mid-point) of the Low Range and High Range estimates.

The difference in total eligible estimated costs of \$1,085,000 versus projected PFF's at build-out in 2055 of \$1,186,230 is \$101,230. Since the cost estimates do not include inflation, and existing Type 1 Fire Engines have been recently purchased at a cost of \$550,000 - \$600,000, the overall comparison of eligible costs and PFF revenues is reasonable. Although interest is not imputed, future inflation is anticipated to continue to exceed future interest earnings. As described in Section 5 of this report, the District will be committing to updating cost estimates for the County's 2020 financing plan update.

## Section 5 – Schedule of Expenditures and Commitments

As illustrated in Section 4, the District currently has approximately \$200,000 of existing fees, including interest, on hand at this time. Projected fees through build-out total \$1,186,230.

The District only has sufficient funds to complete the emergency generator project at this time with an estimated cost allocable to the PFF’s of \$63,450, as shown below, the following table illustrates estimated availability of funds for the final completion of the fire station (permanent housing) and the fire engines.

Fiscal Year	PFF Fund Balance (1)	Use of Fees	Remaining Fee Balance (2)
June 30, 2016	\$189,813 (2)		\$189,813
June 30, 2017	\$207,751		\$207,751
June 30, 2018	\$225,689	\$ 63,450	\$ 162,239
June 30, 2019	\$243,627		\$ 180,177
June 30, 2020	\$261,565		\$198,115
June 30, 2025	\$461,766		\$ 398,316
June 30, 2030	\$672,111		\$ 608,661
June 30, 2055	\$1,186,230		\$ 1,122,780

(1) Amounts from schedule in Section 4.

(2) Revised after emergency generator project.

The District’s ability to fund the permanent housing is not anticipated until the 2025-2030 time range, or approximately 10 years from now. Funding of the fire engines would require advanced funding from other sources or they would need to be deferred for several decades. If inflation on eligible costs exceeds increases in fees and interest earnings, PFF funds may be insufficient at build-out in 2055.

### Fiscal Challenges on Timing with Public Facilities Fees

The inherent nature of calculating PFF’s based on eligible costs and timing of new development creates the common challenge that funds will not be available for the capital items until after the development has occurred. This challenge can be addressed in multiple ways that affect the schedule of expenditures and District commitments, including but not limited, to the following:

- High Priority capital items are funded first.
- Other local funds are utilized to purchase capital items and reimbursed with PFF’s as they are collected.
- Debt financing is utilized to fund the capital items and PFF’s are used to pay annual debt costs.

Each of these common options has its own set of challenges or requirements, which are not addressed in more detail in this report. Since the emergency generator project is in its design phase and will be completed in the near future, the following addresses commitments that are important for the District to consider prior to the County's update to its Public Facilities Financing Plan in 2020.

### **Completing the Fire Station**

As an incomplete facility, completing the fire station should be considered a higher priority for use of PFF's than the fire engines because the District's obligation pursuant to the FCFA JPA is to provide a station at the District's sole expense. Addressed subsequently, the fire engines and other fire fighting apparatus can be funded in conjunction with the cities of Arroyo Grande and Grover Beach.

The earliest that sufficient funds solely from PFF's would be available to complete the fire station is between 2025-2030. At this time, it is anticipated that the District could possibly develop additional capital financing around 2022 when the lease of District facilities to the County Sheriff expires and related District debt is paid off. Future lease payments, after set-asides for District obligations as the lessor, could be dedicated to augment PFF funds or to make debt payments.

At this time, it is too speculative to estimate the additional capital financing that could be available, but it is reasonable to believe that the District could expedite the funding of the fire station completion to 2022, subject to successful lease renewal with the County. The County has an existing right to renew with a prescribed lease adjustment. Likewise, the County and the District could renegotiate. If the County Sheriff does not renew, then the District could lease to another tenant to develop revenues for completing the fire station.

In summary, the District should commit to evaluating the funding options to provide the County with an updated construction commitment for its 2020 Public Facilities Financing Plan.

### **Constructing a New Fire Station**

Although it would be speculative to assert that the District may have sufficient capital financing to construct a new fire station, the option should be evaluated prior to the County's 2020 Public Facilities Plan. Some of the issues that would need to be considered include the following:

- The Board would need to consider whether it is in the community's interest to redevelop the land at Highway One and 13<sup>th</sup> Street, which was the location of the community's fire station prior to the current station.
- The existing fire station is attached to the District's administrative offices and repurposing the existing station would need to be considered.
- The obligations to FCFA to provide a station, and possibly an independent Fire

Protection District, might be compelling to consider a new station.

- If the County and District renegotiate a 20 year lease for the Sheriff, then after set-asides for the District's obligations as the lessor, the amount of capital facilities financing would need to be estimated. Rough estimates indicate that \$1.5 million +/- might be possible.
- Eligible uses of Public Facilities Fees would need to be reconsidered for the 2020 County update.
- Grant funds may be needed.

In summary, the District can only currently commit to completing the fire station once sufficient PFF's are collected, which is estimated between 2025-2030. At a minimum, the District needs to commit to providing updated cost estimates for the County's 2020 plan and should consider evaluating the feasibility of developing capital financing to 1) complete the existing fire station sooner or 2) construct a new fire station.

### **Fire Engines**

The current plan continues to anticipate that the PFF's will fund a new fire engine and patrol. Upon completion of the FCFA strategic plan, the District should prepare an update to this Public Facilities Report for revised estimates of eligible uses, the relationship between new development and the use of the PFF's, and a schedule to purchase the capital equipment. Since fire engines are often ordered with lease-purchase financing, the update for the County's 2020 Plan should also consider the ability to acquire the additional capital equipment using lease-purchase financing with subsequent PFF's used to help make the lease payments.

**AGREEMENT BETWEEN THE COUNTY OF SAN LUIS OBISPO  
AND THE OCEANO COMMUNITY SERVICES DISTRICT**

**This AGREEMENT** is made and entered into on \_\_\_\_\_  
20\_\_, by and between the Oceano Community Services District, a community services district  
formed under the provisions of Government Code section 61010, et seq. (hereinafter referred to  
as “OCSD”) and the County of San Luis Obispo, a political subdivision of the State of California  
(hereinafter referred to as “County”).

**WITNESSETH:**

**WHEREAS**, pursuant to the provisions of Government Code section 66000, et seq., Title  
18 of the County Code, and the County Public Facilities Financing Plan, the County is  
authorized to impose fees on development projects to mitigate the impact of new development on  
public facilities; and

**WHEREAS**, a portion of the public facility fee paid by each permit recipient within the  
boundaries of the OCSD was collected for the purpose of mitigating the impact of new  
development on the provision of firefighting and emergency response services; and

**WHEREAS**, among the governmental powers and duties exercised by the OCSD within  
its boundaries is the provision of firefighting and emergency response services; and

**WHEREAS**, OCSD and the County enter this Agreement for the purpose of the  
collection, distribution, and expenditure of impact fees to mitigate the impact of new  
development on the provision of firefighting and emergency response services; and

**WHEREAS**, the County will collect public facility fees for firefighting and emergency  
response purposes within the boundaries of the OCSD and transfer those funds to the OCSD to  
be used in accordance with all the requirements of Government Code section 66000, et seq.; and

**WHEREAS**, the OCSD desires that the County collect public facility firefighting and emergency response fees from development projects within its boundaries and represents that it is capable of and willing to use those fees within the timelines and other requirements of Government Code section 66000, et seq., for the capital improvements allowed by those provisions of law.

**NOW, THEREFORE**, in consideration of mutual covenants, conditions, promises and agreements herein set forth, the parties agree as follows:

1. Obligation of Parties.

- a. The County agrees to collect the public facility fees from development projects located within OCSD's boundaries and to transfer the public facility firefighting and emergency response services fees to the OCSD during the Term of this Agreement.
- b. Upon receipt of the above-mentioned public facility fees the OCSD shall carry out for the County all the obligations and responsibilities of the local government as set forth in Government Code section 66000, et seq., including but not limited to the following:
  - (1) Identifying by resolution the purpose of the fees and the specific eligible uses for which the fees will be used.
  - (2) Determining in such resolution that there is a reasonable relationship between new development in Oceano and the firefighting and emergency response capital improvements for which the fees will be used.
  - (3) Immediately expending the public facility fees on the identified capital improvements or committing the funds to future capital improvements. In

the event that the funds are committed for future expenditure the OCSD will identify the approximate date of such expenditure and will keep the funds in a separate account to avoid any commingling of the fees with other OCSD revenue.

2. Term. The initial term of this Agreement shall be one year from the date first written above, and shall automatically renew for an additional one-year term upon the anniversary of that date unless terminated in accordance with Sections 3 and 4, below.
3. Terminated for Convenience. Either party may terminate this contract at any time by giving to the other party 60 days' written notice of such termination. Termination shall have no effect on upon the rights and obligations of the parties arising out of any transaction occurring prior to the effective date of such termination. The County shall transfer all public facility fees collected prior to the effective date of said termination.
4. Termination for Cause. If the County determines that the OCSD has incurred obligations or made expenditures for purposes which are not permitted or are prohibited under the terms and provisions of this Agreement, or if the County determines that the OCSD has failed to fulfill its obligations under this Agreement in a timely manner, or if the OCSD is in violation of any of the terms or provisions of this Agreement, then the County shall have the right to terminate this Agreement effective immediately upon giving written notice to the OCSD. Termination shall have no effect upon the rights and obligations of the parties arising out of any transaction occurring prior to effective date of such termination.
5. Reporting. The OCSD shall submit annual progress reports to the County describing the progress made toward performing its obligations under this Agreement. The annual report shall include all of the information required to be made available to the public pursuant to Government

Code section 66006.

6. Use of Funds. If at any time within applicable statutory periods of limitation it is determined by the County or a court of competent jurisdiction that funds provided for under the terms of this Agreement have been used by or on behalf of the County or the OCSD in a manner or for purposes not authorized or prohibited by this Agreement or state law, the OCSD hereby obligates itself, at the County's request, to pay to the County an amount equal to one hundred percent of the amount improperly expended.

7. Employment Status. Nothing in this Agreement is intended nor shall be construed to create an employer-employee relationship or a joint venture relationship between the County and the OCSD. Neither the OCSD nor any of the OCSD's agents, employees or contractors are or shall be considered to be agents or employees of the County in connection with the performance of the OCSD's obligations under this Agreement.

8. Records.

- a. All records, accounts, documentation and all other materials relevant to a fiscal audit or examination, as specified by the County, shall be retained by the OCSD for a period of not less than three (5) years from the date of termination of this Agreement. If so directed by the County upon termination of this Agreement, the OCSD shall cause all records, accounts, documentation and all other materials relevant to the work to be delivered to the County as depository. The OCSD understands and agrees that it may be subject to examination and audit by the County Auditor/Controller for a period of three (5) years after the final payment under this Agreement.
- b. All records, accounts, documentation and other materials deemed to be relevant to

the undertaking enabled by this Agreement shall be accessible at any time to the authorized representatives of the County on reasonable prior notice, for the purpose of examination or audit. Any expenditure which is not authorized by this Agreement or which cannot be adequately documented shall be disallowed and must be reimbursed to the County or its designee by the OCSD.

9. Indemnification. To the fullest extent permitted by law, and in accordance with California Civil Code §2782.8, OCSD shall indemnify, defend, and hold harmless the County and its officers, agents, employees, and volunteers from and against all claims, demands, damages, liabilities, loss, costs, and expense (including attorney's fees and costs of litigation), of every nature arising out of the Agreement to the extent caused by the negligent performance or attempted performance or the provisions hereof, including any willful or negligent act or omission to act on the part of the OCSD or his agents or employees or independent contractors. This indemnity will not extend to any claims or losses arising out of the negligence or willful misconduct of the County.

10. Insurance. OCSD shall procure and maintain for the duration of the contract insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder by the OCSD, its agents, representatives, employees or authorized volunteers.

#### **MINIMUM SCOPE AND LIMIT OF INSURANCE**

Coverage shall be at least as broad as follows and no claims made insurance is allowed:

1. Commercial General Liability (CGL): Insurance Services Office (ISO) Form CG 00 01 covering CGL on an "occurrence" basis for bodily injury and property damage, including products-completed operations, personal injury and advertising injury, with limits no less than \$1,000,000 per occurrence. If a general aggregate limit applies, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit.

2. Automobile Liability: ISO Form Number CA 0001 covering, Code 1 (any auto), or if OCSD has no owned autos, Code 8 (hired) and 9 (non-owned), with limit no less than \$1,000,000 per accident for bodily injury and property damage.
3. Workers' Compensation insurance as required by the State of California, with Statutory Limits, and Employer's Liability Insurance with limit of no less than \$1,000,000 per accident for bodily injury or disease. If OCSD will provide leased employees, or, is an employee leasing or temporary staffing firm or a professional employer organization (PEO), coverage shall also include an Alternate Employer Endorsement (providing scope of coverage equivalent to ISO policy form WC 00 03 01 A) naming the County as the Alternate Employer, and the endorsement form shall be modified to provide that County will receive not less than thirty (30) days advance written notice of cancellation of this coverage provision. If applicable to OCSD's operations, coverage also shall be arranged to satisfy the requirements of any federal workers or workmen's compensation law or any federal occupational disease law.

If the OCSD maintains higher limits than the minimums shown above, the County requires and shall be entitled to coverage for the higher limits maintained by the OCSD.

***Primary Coverage***

For any claims related to this contract, the OCSD's insurance coverage shall be primary insurance as respects the County, its officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by the County, its officers, officials, employees, or volunteers shall be excess of the OCSD's insurance and shall not contribute with it.

***Notice of Cancellation***

Each insurance policy required above shall be endorsed to state that coverage shall not be canceled, except after thirty (30) days' prior written notice (10 days for non-payment) has been given to the County

***Failure to Maintain Insurance***

OCSD's failure to maintain or to provide acceptable evidence that it maintains the required insurance shall constitute a material breach of the Contract, upon which the County immediately may withhold payments due to OCSD, and/or suspend or terminate this Contract. The County, at its sole discretion, may obtain damages from OCSD resulting from said breach.

***Waiver of Subrogation***

OCSD hereby grants to County a waiver of any right to subrogation which any insurer of said OCSD may acquire against the County by virtue of the payment of any loss under such insurance. OCSD agrees to obtain any endorsement that may be necessary to affect this waiver of

subrogation, but this provision applies regardless of whether or not the County has received a waiver of subrogation endorsement from the insurer.

***Deductibles and Self-Insured Retentions***

Any deductibles or self-insured retentions must be declared to and approved by the County. The County may require the Subcontractor to provide proof of ability to pay losses and related investigations, claim administration, and defense expenses within the retention.

***Acceptability of Insurers***

Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:VII, unless otherwise acceptable to the County.

***Separation of Insureds***

*All liability policies shall provide cross-liability coverage as would be afforded by the standard ISO (Insurance Services Office, Inc.) separation of insureds provision with no insured versus insured exclusions or limitations.*

***Verification of Coverage***

OCSD shall furnish the County with original certificates and amendatory endorsements or copies of the applicable policy language effecting coverage required by this clause. All certificates and endorsements are to be received and approved by the County before work commences. However, failure to obtain the required documents prior to the work beginning shall not waive the OCSD's obligation to provide them. The County reserves the right to require complete, certified copies of all required insurance policies, including endorsements required by these specifications, at any time.

Certificates and copies of any required endorsements shall be sent to:

San Luis Obispo County  
Department of Planning and Building, Housing and Economic Development  
Attention: Wes Drysdale, County Planner  
976 Osos Street, Room 300  
San Luis Obispo, CA 93408

***Subcontractors***

OCSD shall require and verify that all subcontractors maintain insurance meeting all the requirements stated herein.

***Special Risks or Circumstances***

County reserves the right to modify these requirements, including limits, based on the nature of the risk, prior experience, insurer, coverage, or other special circumstances.

11. Entire Agreement and Modification. This Agreement sets forth the full and entire understanding of the parties regarding the matter set forth herein, and any other prior or existing understandings or agreements by the parties, whether formal or informal, regarding any matters are hereby superseded or terminated in their entirety. No changes, amendments, or alterations shall be effective unless in writing and signed by all parties hereto. The OCSD specifically acknowledges that in entering into and executing this Agreement the OCSD relies solely upon the provisions contained in this Agreement and no others.

12. Laws and Regulations. The OCSD agrees that it is familiar with and will comply with all County and State laws and regulations that pertain to health and safety, labor, fair employment practices, equal opportunity and all other matters applicable to the OCSD, its subcontractors, and the undertaking enabled by this Agreement. The OCSD agrees that it is familiar with and will comply with all laws and regulations applicable to the expenditure of public facility fees.

13. Non-Assignment of Agreement. Inasmuch as this Agreement is intended to secure the specialized services of the OCSD, the OCSD shall not have the right to assign or transfer this Agreement, or any part hereof or monies payable hereunder, without the prior written consent of the County, and any such assignment or transfer without the County's prior written consent shall be considered null and void.

14. Covenant. This Agreement has been executed and delivered in the State of California, and the validity, enforceability and interpretation of any of the clauses of this Agreement shall be determined and governed by the law of the State of California. All duties and obligations of the parties created hereunder are performable in San Luis Obispo County, and such County shall be that venue for any action, or proceeding that may be brought, or arise out of, in connection with or by reason of this Agreement.

15. Enforceability. If any term, covenant, condition or provision of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions hereof shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby.

16. Agreement Binding. All provisions of this Agreement shall be binding on the parties and their heirs, assigns and successors in interest.

17. Waivers. County's waiver or breach of any one term, covenant or other provision of this Agreement shall not be a waiver of a subsequent breach of the same term, covenant or provision of this Agreement or of the breach of any other term, covenant or provision of this Agreement.

18. Notices. Unless otherwise provided, all notices herein required shall be in writing, and delivered in person or sent by United States first class mail, postage prepaid, to the following addresses:

To the County: Department of Planning and Building  
Attention: Wes Drysdale, County Planner  
976 Osos Street, Room 300  
San Luis Obispo, California 93408

To the OCSD: General Manager and Board President  
Oceano Community Services District  
P.O. Box 599  
Oceano, CA 93475-0599

Provided that any party may change such address by notice in writing to the other parties and thereafter notices shall be transmitted to the new address.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

OCEANO COMMUNITY SERVICES DISTRICT

By: \_\_\_\_\_  
Karen White, President

ATTEST:

\_\_\_\_\_  
Clerk of the District

APPROVED AS TO FORM AND LEGAL EFFECT:  
JEFFREY A. MINNERY  
District General Counsel

By: \_\_\_\_\_  
District General Counsel

COUNTY OF SAN LUIS OBISPO

By: \_\_\_\_\_  
Chair of the Board of Supervisors

Date: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Clerk of the Board of Supervisors

APPROVED AS TO FORM AND LEGAL EFFECT:  
RITA L. NEAL  
County Counsel

By: \_\_\_\_\_  
Deputy County Counsel

Date: \_\_\_\_\_

Oceano Fire Department  
Public Facility Fee projects

<u>Project Description</u>	<u>Location</u>	<u>Currently Owned Site?</u>	<u>Cost Estimate</u>	<u>Site Acquisition</u>	<u>Construction Cost</u>	<u>Vehicle</u>	<u>Facility</u>	<u>Portable Equipment</u>	<u>Project Date</u>
Station Remodel	Sta. 61	Yes	\$580,000		\$580,000		Yes		2010 - 15
Type 1 Fire Engine	Sta 61		\$475,000			\$425,000	No	\$50,000	2007- 08
Station 3	Type 4 Engine		\$30,000			\$25,000	Yes	\$5,000	2005 - 06
		Total			\$580,000	\$450,000		\$55,000	
			<b>\$1,085,000</b>						
			<b>Grand Total</b>						

FCFA JPA Excerpt

EXHIBIT C

INVENTORY OF APPARATUS, CLOTHING, TOOLS AND EQUIPMENT

The following inventory of each jurisdiction will become the property and responsibility of the Authority, including but not limited to maintenance, insurance and replacement:

<b>APPARATUS</b>	
<b>Arroyo Grande</b>	
Truck 66	1987 Van Pelt
BSU 66	1995 E-ONE
Utility 66	1995 Ford 4x4 Pickup
Brush 66	1996 International
Ford SUV	1998 Explorer
Ford SUV Command Vehicle	2006 Expedition
Engine 66	2007 Pierce
Lighting 66	1978 Ford Truck
Sedan	2000 Ford Taurus LX
Mass Casualty Trailer	Inventory List Available
<b>Grover Beach</b>	
Engine 68R	1996 Hi Tech
Rescue 68	2001 Hackney
Engine 68	2004 American LaFrance
Ford SUV	1999 Explorer
Utility 68	1996 Ford 4x4 Pickup
Shoring 68	1994 Pace Cargo Trailer
<b>Oceano</b>	
Engine 261	1987 Pierce
Engine 61	1996 Hi-Tech
Brush 61	2000 International 4800
Chevy SUV	2001 Tahoe
Patrol 61	2002 Ford F-550

<b>AUDIO / VISUAL EQUIPMENT</b>	
<b>Arroyo Grande</b>	
Overhead Projector	1
PowerPoint Projector	1
Televisions	12
Televisions (Big Screen)	1
Stereo System	1