**Background**

Located south of Lake Tahoe in El Dorado County and governed by a five-member board of directors, the Fallen Leaf Lake Community Services District (district) provides fire protection and park and recreation services to its community. The district includes 289 parcels of land that are either privately owned or used by individuals who have recreational permits from the U.S. Forest Service. Many occupy homes or cabins only seasonally due to road closures in the winter. To fund fire protection services, the district’s board annually sets a fire special tax and levies its community members. The district can also receive reimbursements for providing firefighting assistance—such as in the form of strike teams—to fight wildfires under an agreement between federal and state agencies. The California Governor’s Office of Emergency Services (Cal OES) is responsible for processing those reimbursements.

**Key Findings**

- The district consistently overbilled other government agencies for reimbursements related to providing firefighting assistance—in fact, it overbilled reimbursing agencies by more than $700,000 from 2016 through 2018 and may need to return the funds. Doing so would significantly reduce its reserve balance.

- The district’s budgeting practices have jeopardized its ongoing financial viability. The district has relied on the volatile funding—the inflated reimbursements—to balance its budget.

  » Because these reimbursements are subject to a number of variables, such as the number of wildfires and length of time spent fighting them, this funding source is neither ongoing nor consistent and relying on it to support its ongoing personnel costs creates a financial risk.

  » It would have experienced financial shortfalls during fiscal years 2015–16 through 2017–18 had it not submitted inflated reimbursements for providing firefighting assistance.

- Weaknesses in the reimbursement policies under the agreement between federal and state agencies and Cal OES’s limited oversight of the salary rates enabled the district’s overbilling.

- The district’s ability to function effectively and provide its community with services is threatened by its small electorate; it is difficult to attract eligible candidates to run for its five-member board. Only permanent residents can legally register to vote and run for the board, and thus, very few people in the seasonal community are eligible.

**Key Recommendations**

- The Legislature should allow the district’s landowners and holders of Forest Service permits to vote on district matters and to serve on the board. Also, it should require an analysis of the size of the electorate when special districts are being created or modified.

- Cal OES should complete implementing its plan to routinely audit reimbursement documents submitted by local fire agencies that assist in firefighting, and it should recommend that the federal and state agreement include requirements that local fire agencies provide documentation of their average actual salary rates and approval of those rates by their governing bodies.

- The district should implement a plan to return excessive reimbursements to the paying agencies and should improve its financial viability and safeguard its ability to continue providing services by strengthening its budgeting practices and preparing budget plans and forecasts with realistic assessments.

[Diagram] $1,200,000

- Personnel Costs Overbilled
- Personnel Costs at Base Rate
- Engine, Vehicle, and Travel Costs

- TOTAL AMOUNT DISTRICT OVERTILLED