



**RODEO-HERCULES FIRE PROTECTION DISTRICT**  
1680 REFUGIO VALLEY ROAD, HERCULES, CALIFORNIA 94547  
(510) 799-4561 FAX: (510) 799-0395

**MEASURE O OVERSIGHT COMMITTEE SPECIAL MEETING MINUTES**

December 11, 2019

3:00 P.M.  
Station 76  
1680 Refugio Valley Road  
Hercules, CA 94547

If any member of the public wishes to speak on any item on the agenda, please complete a speaker card and submit it to the Clerk of the Board. The Rodeo Hercules Fire Protection District ("District"), in complying with the Americans with Disabilities Act ("ADA"), requests individuals who require special accommodations to access, attend, and/or participate in the District's Measure O Oversight Committee meetings due to a disability, to please contact the District Chief's office at (510) 799-4561, at least 24 hours before the scheduled meeting to ensure that the District may assist you.

1. CALL TO ORDER/ROLL CALL (00:23) Members present: Annie Ziff, Paul Freese, Marie Bowman. Fire Chief Craig is in attendance.
2. PLEDGE OF ALLEGIANCE (00:42)
3. CONFIRMATION OF THE AGENDA (1:00) Motion made to approve agenda by M. Bowman. Seconded by A. Ziff. Aye: 3; No: 0
4. APPROVAL OF PRIOR MEETING MINUTES (1:28) Motion to approve Oct 30, 2019 minutes made by M. Bowman. Seconded by A. Ziff. Aye: 3; No: 0
5. PUBLIC COMMUNICATIONS (2:05) No public comment.
6. RECEIVE FIRE CHIEF'S ANNUAL MEASURE O REPORT (2:36)
7. CREATE DRAFT OF MEASURE O OVERSIGHT COMMITTEE REPORT FOR FISCAL YEAR 2017-18 (5:12)
8. REPORT ON PUBLIC OUTREACH EFFORTS (26:16)
9. POSSIBLE AGENDA ITEMS (40:16)
  - Approval of 2017-18 Final Report
  - Review 2018-19 Budget
  - Review 2018-19 Auditor's Report
  - Public Outreach Efforts
10. ADJOURNMENT (45:00)

I hereby certify that this agenda in its entirety was posted on December 2, 2019 at the Hercules Fire Station, 1680 Refugio Valley Road, Hercules, CA, the Rodeo Fire Station, 326 Third Street, Rodeo, CA, on the District's website at [www.rhfd.org](http://www.rhfd.org) and telecopied to the West County Times.

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Kimberly Corcoran, Board Clerk



**MEASURE O OVERSIGHT  
COMMITTEE REPORT  
FISCAL YEAR 2017-2018**

## History

Measure O, a special tax replacement measure was approved by the voters on November 8, 2016, to be used for any lawful purpose permissible to Fire Districts pursuant to California Health and Safety Code Section 13800 et seq., including but not limited to enhancing the level of fire protection, emergency fire protection and paramedic response services through increasing staffing levels to operate and maintain the District's fire stations, maintaining and when necessary replacing fire protection and lifesaving equipment and apparatus to optimal levels of function, and to fund capital improvements.

## Purpose

To independently review the expenditures of the Measure O parcel tax revenues for compliance with the special tax and to inform the public and advise the Board if the funds were expended in accordance with the intentions of the voters.

## Financial Highlights

Measure O funding replaced the expiring Federal SAFER grant, allowing the District to continue to employ firefighters hired with grant funds while keeping both fire stations open and fully staffed. **These funds were used for Permanent Salaries and the CCCERA Unfunded Actuarial Liability Payments.** 230 Senior Exemptions (Residents 65 and older residing in the exempt property) were received, amounting to a reduction in funding of \$49,680.00. Beginning in the 2020/21 budget cycle a separate budget category will be created within the budget narrative detailing the revenue and expenditures of Measure O.

## Financial Summary

Measure O Revenues received were \$2,429,757, and total expenditures were \$2,285,666, leaving a fund balance of \$144,091.

Measure O funds were used to reimburse the following General Fund Expenses: \$

Permanent Salaries July 2017 through January 2018: \$1,311,748

Unfunded Actuarial Accrued Liability December 2017 through June 2018 : \$964,124.00

Detailed Measure O expenditure information is provided in the Independent Accountant's Report, Exhibit A of which is attached to this Annual Report.

## Conclusion

The Measure O Oversight Committee has determined that Measure O parcel tax revenues for Fiscal Year 2017-2018 were expended in Fiscal Year 2017-18 in accordance with the voter-approved requirements of Measure O. Additionally the unexpended amount of \$144,091 was carried forward for expenditure in Fiscal Year 2018-2019.

Signature

Measure O Oversight Committee

DRAFT

**EXHIBIT A**

**RODEO - HERCULES FIRE PROTECTION DISTRICT  
HERCULES, CALIFORNIA**

**MEASURE O REPORT**

**FOR THE YEAR ENDED JUNE 30, 2018**

**Harshwal & Company LLP  
Certified Public Accountants  
7677 Oakport Street, Suite 460  
Oakland, CA 94621  
(510) 452-5051**

**RODEO - HERCULES FIRE PROTECTION DISTRICT**

**JUNE 30, 2018**

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**INDEPENDENT ACCOUNTANT’S REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors of the  
 Rodeo - Hercules Fire Protection District  
 Hercules, California

***Report on Financial Statements***

We have performed the procedures enumerated below, which were agreed to by the Rodeo - Hercules Fire Protection District' management, on the Rodeo - Hercules Fire Protection District's (the "District") Measure O - Special Tax revenues received and expenditures made by the District for the fiscal year ended June 30, 2018. The District's management is responsible for the receipt of Measure O - Special Tax revenues and deposit of such proceeds into the District's Measure O - Special Tax Revenue Fund and use it solely for any lawful purpose permissible to the District as instructed in Ordinance 2016-1. The sufficiency of these procedures is solely the responsibility of the District's management. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

**PROCEDURES:**

The procedures performed and findings are listed below:

1. We agreed the actual Measure O - Special Tax proceeds collected and expended to the amounts recorded in the District's general ledger and recalculated the mathematical accuracy of the following schedule provided by the District:

Revenues:	
Measure O - Special Tax Revenue	<u>\$ 2,429,757</u>
Expenditures:	
Permanent Salaries	1,311,747
Unfunded Actuarial Accrued Liability Payments	964,124
County Collection Fee	<u>9,795</u>
Total Expenditures	<u>2,285,666</u>
Net Change in Measure O Funds	144,091
Available Measure O Funds, Beginning	<u>-</u>
Available Measure O Funds, Ending	<u><u>\$ 144,091</u></u>

The District received the Measure O Parcel tax funds in October 2017. During fiscal year 2017-18, funds were used as follow:

**Permanent Salaries** - The District transferred a total of \$1,311,748 from the Measure O Fund to the General Fund through a County Interfund transfer to cover Permanent Salaries through February 7, 2018. Detail of salaries paid through Measure O Fund resources were as follow:

Permanent Salaries Paid through General Fund:

July 2017	\$	191,536
August 2017		196,430
September 2017		185,900
October 2017		179,100
November 2017		190,888
December 2017		180,986
January 2018		186,908
		<u>\$ 1,311,748</u>

**Unfunded Actuarial Accrued Liability Payments** - The District transferred a total of \$964,124 from the Measure O Fund to the General Fund through a County Interfund transfer to cover 7 installments of the District's Unfunded Actuarial Accrued Liability to Contra Costa County Employee's Retirement Association. Detail of payments made using Measure O Fund resources were as follow:

Unfunded Actuarial Accrued Liability Paid through General Fund:

December 2017	\$	137,732
January 2018		137,732
February 2018		137,732
March 2018		137,732
April 2018		137,732
May 2018		137,732
June 2018		137,732
		<u>\$ 964,124</u>

**County Collection Fees** - Contra Costa County assesses fees to levy assessments and taxes. Charges for the Measure O Levy totaled \$9,795, which was paid using Measure O Fund resources.

2. We traced the proceeds of the Measure O tax and reviewed the expenditures made by using those proceeds, as listed in aforementioned schedules, in accordance with Ordinance 2016-1 Section 4 and California Health and Safety Code section 13800 et seq regarding use of tax proceeds.

**FINDINGS:**

Proceeds of taxes as listed in the schedule presented by the District's management were paid into the District's Measure O Special Revenue Fund and had been used by the District, in compliance with Ordinance 2016-1 Section 4 and California Health and Safety Code section 13800 et seq, with no exceptions.



This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the District's Measure O - Special Tax revenues received and expenditures made by the District for the fiscal year ended June 30, 2018. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the District's management and is not intended to be and should not be used by anyone other than these specified parties.

*Harshwal & Company LLP*

**Oakland, California**  
**January 30, 2019**



**RODEO – HERCULES FIRE PROTECTION  
DISTRICT**

**FISCAL YEAR 2018/2019  
BUDGET**

**I. MISSION STATEMENT****Rodeo-Hercules Fire District****Mission Statement**

It is the mission of this organization to provide the highest level of service to the community; to mitigate the devastating effects of fires and other disasters; to deliver emergency medical services; to educate the public and maintain a constant state of readiness.

**Core Values**

To that end we value:  
Service to the Community  
Public Trust  
Professionalism  
Educated Work Force  
Compassion  
Team Work  
Safety, Health & Welfare of the Organization

**Board of Directors**

The Board of Directors is the elected policy-making body for the Rodeo-Hercules Fire District. The Directors provide financial oversight and strategic policy direction to maximize the public value of District services

**Andrew Gabriel (Board Chair)**

**Raemona Williams (Board Secretary)**

**William Prather**

**Marc Thorpe**

**Ernest Wheeler**

**Interim Fire Chief**

Bryan Craig

The Fire Chief is the Chief Executive Officer of the District. In collaboration with the Board of Directors and in partnership with all members of the organization, the Fire Chief provides direction, protection and order to the District.

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## II. Executive Summary

### A. Transmittal Letter

June 27, 2018

Board of Directors  
Rodeo-Hercules Fire District  
1680 Refugio Valley Rd, Hercules, CA 94547

Members of the Board:

The Fiscal Year 2018-19 Budget for the Rodeo-Hercules Fire District is attached. This Budget is the result of input provided by the Board during the FY 2018-19 mid-year budget review and an inclusive staff review process. Additional input and review was also provided by the Board Budget Subcommittee and the Board, which conducted a special budget review workshop on June 13, 2018. This Proposed Budget was reviewed and approved on June 27, 2018.

In continuance with the prior fiscal year, the District continues to use its newly adopted accounting principles as mandated by the Board after the completion of FY 2016-17. This is the second year the District has utilized a full budget narrative with supporting documentation. Details regarding the Budget's projected revenues, expenditures and operations are all fully explained in this document.

During FY 2016-17 the Board of Directors engaged a consultant to assist the District in assessing its financial condition. The Financial Analysis and Stabilization Report, presented to the Board in August 2016 outlined issues faced by the District. Even though these particular issues were driving factors in the formulation of the 2017-18 budget narrative, they still remain instrumental in the principles formulating the 2018-19 budget.

The Board took the following actions to help stabilize District revenues during FY 2016/17:

- The Board engaged assistance in assessing the Community's support for a replacement ballot measure designed to restore earlier levels of District funding;
- The Board developed a ballot measure for the November 8, 2016 ballot designed to provide the Community with the opportunity to address the revenue shortfalls;
- The Board placed the measure on the ballot for the November 8, 2016 election. Measure O, a \$216 parcel tax levied on properties in the District, was approved by 78% of the voting community.
- Measure O is estimated to provide replacement funds to the District to help offset earlier revenue losses.

I am very pleased to report that, for the second year, with all the above efforts and dedication of this Board, the Budget for FY 2018-19 is balanced. The District is currently at full staffing with the District's two Fire Station configuration.

The Budget does not contain increases in expenditures for staff costs (other than mandated benefit cost increases), any capital expenditures other than those required to maintain the facilities and necessary operational and support activities. We estimate that the 2017-18 General Fund will have an operating reserve balance of \$167,047. Revenues and Expenditures are projected to provide a modest June 30, 2019 estimated year-end General Fund operating reserve of \$262,491. The General Fund operating reserve will be used to offset any unforeseen expenses during the fiscal year.

It has been the District Board, and my concerned effort to move the District to a more secure financial condition, and to provide a Budget with complete financial transparency. The addition of the Measure O funds will provide a revenue stream to replace the earlier revenue losses. This revenue, combined with continued fiscal prudence, is the reason the District has a balanced budget and is able to maintain its full two station configuration for the community. We believe the Proposed Budget represents our continued strides forward in the District's efforts to maintain a consistent and professional level of service to the Rodeo - Hercules Community.

I would again like to thank this Board for their continued support of the District.

Bryan Craig  
Interim Fire Chief

## **B. Budget Overview and Summary**

### **Budget Goals for Fiscal Year 2018-19**

As the Board and Community are aware, the District has struggled to maintain a solid financial condition in light of major revenue losses over the past 5 years. The replacement revenues from Measure O will improve the District's finances, providing a financial resource for the District. In preparing the Proposed Budget, District staff has developed a Proposed Budget that recognizes the District's current obligations and provides accurate information on the fiscal realities faced by the District. The District will continue its efforts to secure additional revenue sources in an effort to stabilize its financial future.

### **Fiscal Year 2018-19 Projected Revenues**

The FY 2018-19 Budget projects total revenue of \$7,382,390 which includes \$5,029,718 in General Fund revenues, \$2,352,672 in Measure O revenue, and \$103,000 in Fire Facilities Fee revenue (shown on Fire Facilities Fee Revenue and Expenditures Sheet). Although Fire Facilities fees are included in the budget, these are restricted revenues.

Measure O is a tax measure that was approved by the citizens of Rodeo and Hercules to replace the revenue lost from the sunset of the 2014 Benefit Assessment. Measure O was passed to allow for the continued operation of two fire stations.

Measure O also provided for continued Consumer Price Index (CPI) adjustments to ensure that the Measure continued to meet the needs of the District. In addition, the Measure provided for an establishment of a citizen oversight committee to advise the board on the fund's usage upon the annual report.

Measure O collections began in FY 2017-18 and will be applied to all affected (non-exempt) properties for the full fiscal year. Measure O revenues will only be used for District operations and fully expended to provide emergency services during the Budget year. At the June 13, 2018 Regular Board Meeting, the Board voted down an increase in the per parcel tax based on the March 2018 CPI. This results in a loss of approximately \$65,352 to the District.

We also anticipate some reductions in the potential total Measure O revenues due to the provision for exclusions of senior owned properties. The initial revenue projections indicate that approximately \$2.3 million could be generated in FY 2018-19; taking into account the senior exemptions we have reduced that amount to \$2,352,672 to ensure the Budget does not expend more than is potentially available.

### **Fiscal Year 2018-19 Projected Expenditures**

The Proposed Budget expenditures include full staffing for two stations. During FY 2016-17, three SAFER employees transitioned to the District on a permanent basis and several vacant positions were filled through recruitments and promotions. Full staffing compliment for FY 2018-19 includes:

- One Chief
- One Battalion Chief
- Six Captains
- Six Engineers
- Six Firefighters
- One Administrative Assistant

While the District has become fully staffed, there is still a budget for overtime. This allows each shift to be fully staffed while personnel takes allowable vacation and sick time. The amount budgeted for overtime does not take into consideration any unforeseen circumstances, such as extended sick leave, vacancies, worker's compensation leave, training coverage, or other needs that may arise during the year. These circumstances would increase the amount of overtime spent by the District in order to maintain minimum staffing levels.

The Budget includes the following assumptions and significant items:

- No salary increase.
- No new or modified benefits.
- Increases in retirement costs for normal contributions (\$42,361) and UAAL (unamortized) contributions (\$73,312).
- Increases in medical benefits costs to current and retired employees. (\$90,000).
- Budgeting current vehicle lease costs in the General Fund (\$80,401).

### **C. District Financial Position**

Historically, the District has struggled to address the significant revenue reductions imposed by outside agencies, including State reductions in subventions; sequestration of property tax through the dissolution of redevelopment agencies. Fortunately, District voters approved a significant and stable revenue source through Measure O, which was approved in November 2016. This replacement revenue source will continue to be a resource to the District for the foreseeable future.

During the 2012-2017 period, the District was forced to reduce its services significantly and was forced to use virtually all of its established reserve funds. As indicated elsewhere in this document, the Board has declared its intent to build cash reserves for the District whenever possible to assure stable service provision in the event of an unexpected circumstance, and for vehicle replacement. Although the Proposed Budget for FY 2018-19 is balanced based on current revenue and expenditure projections, it leaves little additional funding available to add to District reserves.

### **D. District Financial Issues and Revenue Opportunities**

The District's financial position has improved with the revenue provided by Measure O. Full funding for two stations and uninterrupted service are major accomplishments for the District, when two years ago the District was uncertain of its financial position and was facing major service reductions. With the development and implementation of an industry standard budgeting and accounting system, the District currently has the ability to track its finances and build a budget based on actual revenue and expenses.

#### **Financial Issues**

The majority of the financial issues faced by the District originate externally and are difficult or impossible to control. A number of these involve actions by outside agencies or result from past decisions and economic conditions outside the scope of the Board.



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These issues include the following:

- Continued loss of over \$1.1 million in property tax resulting from the freeze by the State of ‘pass through funding’ from the City of Hercules Redevelopment Successor Agency to the District.
- Continuing development of substantially sized vacant properties in the City of Hercules located in the prior Redevelopment project areas—precluding the District from receiving property tax ‘pass through’ funds.
- New development throughout the City of Hercules which increases service demands without commensurate revenue, degrading the District’s ability to maintain its traditionally high level of service. In addition, multi-story buildings and dense residential and commercial development projects require additional equipment and resources to protect.
- Increases in the Contra Costa County Employees Retirement Agency (CCCERA) retirement system costs for both the ongoing payments for current employees and the unfunded liabilities (UAAL) incurred for the pensions for current and retired employees. These two costs total \$2,245,102 which represents 35% of the projected FY 2018-19 personnel costs for the District’s 21 employees.
- Although the District’s represented personnel contribute 3.5% of their base salary toward the District’s Other Pensionable Employee Benefits (OPEB), the ongoing and accruing unfunded liability for the District’s retiree medical program has and will continue to rise as medical insurance costs increase over time. The District is currently not contributing to the Annual Required Contribution (ARC). If the District does not set aside additional funds for this benefit program the unfunded liability will increase significantly over time. Current Government Accounting Standards Board (GASB) accounting principles require the District to clearly state the unfunded portion of both its retirement and OPEB programs (See *Section III. Statement of Unfunded Liabilities: CCCERA UAAL and OPEB UAAL for details*).
- The District currently operates and has in its inventory 4 specialty frontline vehicles and 2 older vehicles that serve in reserve. The frontline vehicles have an estimated current replacement value of \$4,770,000. The aging inventory has had an additional impact on the FY 2017/18 budget, and has resulted in an increase in this budget category. The District has implemented a new fleet surveying process to better understand its fleet replacement needs. Replacement of this equipment when it becomes unserviceable represents a significant cost factor for the District (see *Section IX. Vehicle Replacement Reserve and Appendix C* for depreciation schedules and a recommended approach for the replacement of frontline vehicles).
- These issues will be reviewed with the Board as it considers the Budget and works to develop strategies on how best to approach these challenges.

### Revenue Opportunities

- *Revision of the District’s Fire Facilities Impact Fees:* The District is permitted to charge a Fire Facilities Impact Fee to new development to offset the proportional costs the District will incur providing service to the development. These fees are to be used to offset the costs of facilities and equipment needed to provide the service to new development. These fees are placed in a separate fund and only used for designated purposes.

During FY 2017-18 the District sought out and was awarded two Grant Funding opportunities. The District was successful in receiving a regional grant from FEMA's Assistance to Firefighters Grant, (AFG) program. RHFD joined with Pinole Fire Department and East Contra Costa Fire Protection District and received in total for all three departments \$450,450.00 for Self-Contained Breathing Apparatus (SCBA). These monies were shared between all three departments, and allowed RHFD to replace its SCBAs that were reaching the end of their service life. Through the efforts of Staff and the Department's Program Manager, in a further effort to maximize the grant funds, the district entered into Intergovernmental Cooperative Purchasing Agreement (ICPA) thereby increasing the District's purchasing power. The District also received a \$25,000 Firehouse Subs Grant to purchase an extractor and dryer for personal protective gear decontamination. This purchase saves the District the cost of paying an outside contractor for decontamination. The District Staff continues to seek out grant funding opportunities to help reduce operating costs.

#### **E. District Budget Control Reporting and Reserve Policies**

This Budget document contains a number of Budget Management, Control and Reserve Policies (see *Section IV. Budget Policies* for details). These policies describe important fiscal control areas to ensure that the Board's financial decisions are implemented in a thorough and professional manner and that detailed and transparent financial reporting is provided to the Board and public on an ongoing basis.

### **III. STATEMENT OF UNFUNDED LIABILITIES: CCCERA & OPEB UAALS**

The District provides two benefit programs to employees which require ongoing contributions to be sustainable. These are (1) the pension benefits provided through contracts with the Contra Costa County Employees Retirement Association and (2) "other post-employment benefits" (medical insurance) for qualifying retirees (OPEB program). The costs of these programs are funded through two types of contributions: the current or 'normal' costs, and the contributions required to fund the Unfunded Actuarial Accrued Liability (UAAL) which is the difference between the actuarially stated amount needed to pay for future benefits and the current funding set aside for those benefits. The two programs treat those two components differently, as described below.

**The Contra Costa County Employees Retirement Association (CCCERA)** retirement program is governed by an independent Board of Directors. The CCCERA program mandates that participating employers pay into the fund for both the normal and UAAL costs on an annual basis. CCCERA utilizes regularly scheduled actuarial studies to ensure funding requirements are met and that the benefits are available to retirees when due. The normal and UAAL rates fluctuate based on numerous factors, including the return on investments for recent years, changes in assumptions regarding future return on investments, changes in assumptions regarding program participants' longevity and other factors.

The District's CCCERA contribution rates in FY 2018-19 for the normal costs will be 20.2% of payroll for "Legacy" employees and 16.98% for PEPRA employees (PEPRA employees are those who have been hired recently, who receive lower pension benefits than Legacy employees). The UAAL payment for FY 2018-19 is \$1,683,840, a 2% increase. The District's current overall unfunded liability for the CCCERA retirement system is \$14,361,583. Appendix B contains background information on the District's CCCERA retirement program cost calculations for both the normal and the UAAL costs.

***The District's Other Post Employment Benefit (OPEB) Program*** funds retiree medical insurance. The District currently pays the cost of qualifying retiree's medical insurance based on an agreement with the employees. The District is currently paying the full cost of those coverages to retirees—the 'normal' costs of the OPEB program. For FY 2018-19 \$337,050 is budgeted for the program.

The District is not currently paying the UAAL portion of the OPEB program. The total liability of that unaddressed obligation as estimated in the District's most recent actuarial study is \$11,031,000. The actuarial study estimated that the District will have set aside \$1,910,000 to fund the UAAL which leaves an unfunded portion of \$9,121,000. The study indicated as of the end of FY 2017-18, the District's UAAL was funded at a 17.0% level.

The study further estimates that the District would be required to pay an additional \$5,386,176 per year if it were to address the full UAAL liability. (See Appendix C for details.)

#### IV. BUDGET POLICIES

*The following budget policies were adopted by the Board of Directors during the FY 2017/2018 budget adoption, and currently remain in place with no additions or deletions.*

##### A. Policy for District Reserves and Fund Balances and Goals for Reserves and Fund Balance Maintenance

###### Fund Balance and Reserve Policy

A Fund Balance is defined as the District's balance sheet assets less liabilities, which equals a Fund Balance. There are varieties of defined fund balances which are based on the extent to which the District is bound to honor specific spending constraints.

The Rodeo-Hercules Fire District utilizes the following definitions for its Budgetary Practices:

###### **Unassigned Fund Balance**

An ***Unassigned Fund Balance*** is defined as any Fund Balance amounts not classified as a Restricted Fund Balance, Committed Fund Balance or an Assigned Fund Balance.

###### **Assigned Fund Balance**

An ***Assigned Fund Balance*** is intended to be used by the District for a specific purpose, however; the activity does not meet the criteria to be classified as restricted or committed.

###### **Committed Fund Balance**

A ***Committed Fund Balance*** is defined as funds which can only be used for a specific purpose as determined by a formal action of the District's Board of Directors.

###### **Restricted Fund Balance**

A ***Restricted Fund Balance*** is defined as funds that can only be spent for specific purposes for which the funds were intended. These typically include expenditures controlled by outside agencies such as

the State and Federal Government, employee retirement, medical and other funds as well as funds required for surety for debt obligations.

The establishment and maintenance of the District's financial stability and sustainability is of primary importance to the Board of Directors. The Board has established the following policies for the District to implement.

**General Fund Unassigned Fund Balance**—the purpose of this reserve is to provide the District with the needed flexibility to provide for unanticipated changes in revenues or expenditures and to assure the provision of stable services to the District's residents and businesses. Based on this standard and the FY 2018-19 Proposed Budget, the Unassigned Fund Balance goal would be approximately \$1.2 million.

*It is recommended that the Board establish the goal of having funds for two months of operations in this Unassigned Fund Balance. The Board should designate funds to be allocated for this purpose as part of its annual Budget process.*

**General Fund Committed Fund Balance**—the purpose of this reserve is to provide the District with the opportunity to address growing unfunded liabilities in employee retirement benefits. If funds are accumulated by the District in this account they will only be used to retire the obligations for the retirement and other post-retirement benefits (medical insurance) costs the District currently provides. Using funds to 'prepay' these obligations will provide significant cost savings for the District over the life of the obligations.

*It is recommended that the Board strive to set aside funds to address the UAAL associated with the OPEB program.*

**Assigned Fund Balance**—included in the assigned fund balance are funds for specific program activities that benefit from a protected source of funding. These are generally specific programs that include high cost items that last for many years. Fire vehicles, equipment and buildings are examples.

Vehicles represent a substantial District funding obligation. These are high cost vehicles that typically have an extended life of 7 to 20 years. The District currently has no designated reserve funds for the purchase or lease of vehicles.

*It is recommended that the Board establish a Vehicle Replacement Reserve and commit to an annual contribution to the Vehicle Replacement Reserve, designating funding for vehicles, to assist the Board in ensuring there are adequate funds to maintain the District's fleet.*

Capital Facilities (buildings and facilities) maintenance is a second major District obligation that includes higher cost periodic funding. These are expenditures that are less frequent and require planning to accomplish. The Proposed Budget does not include a capital replacement reserve, but the Board may want to consider a reserve for this purpose in the future.

Replacement of District equipment is a third major District obligation. The District owns hundreds of pieces of equipment that have a replacement cost of more than \$5,000 per unit. These are expenditures that are less frequent and require planning to accomplish. The Proposed Budget does not include an equipment replacement reserve, but the Board may want to consider a reserve for this purpose in the future.

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The Board will annually review the status of the District's reserves—including the General Fund Unassigned Fund Balance, the General Fund Committed Fund Balance, the Assigned Fund Balances for Vehicles, Capital Equipment and UAAL for the District's Retirement and OPEB obligations. The Board will designate funding levels for each as the Board determines its priorities for the District's short and long-term obligations. The

Board will conduct its review based on the Staff's Third Quarter Financial review which will include the estimated year-end fund balances in all the District's Reserves.

### **B. Critical Funding Areas Policy**

Critical Funding Areas are those costs which represent obligations the District has incurred and future expenditures that may have significant impact on the District's future Budgets.

These areas include:

- Retiree OPEB UAAL Obligations
- Retiree Pension UAAL Obligations
- Vehicle Replacement Obligations
- Capital Facilities Obligations
- Equipment Replacement Obligations
- General Fund Unassigned Fund Balance

The District is currently addressing the Retiree UAAL obligations on an ongoing basis and has budgeted funds for its Vehicle Replacement Reserve Fund.

### **C. District Financial Reporting Policy and Practices**

The District is currently developing an accounting software program which will permit detailed revenue and expenditure reporting on an ongoing basis. The system will be updated on a regular basis and reports will be generated and circulated to staff for review and budget management purposes. The Board will receive monthly copies of these materials for review, in addition to approval of warrant lists, at the regular Board meeting.

In addition to this level of reporting, District staff will develop and present quarterly financial updates to the Board at its regularly scheduled meetings. The quarterly report will provide the following information:

- Revenues to date by category, budgeted amount, amount remaining and percentage received—by line item, in conformance with the District's Chart of Accounts;
- Expenditures to date, budgeted amount, amount remaining and percentage used—by line item in conformance with the District's Chart of Accounts;
- A description of any unusual or unanticipated expenditures with the reason for the expenditure and the impact of the expenditure on the Adopted Budget;
- A description of any unanticipated financial situations or issues, upcoming major financial expenditures or issues affecting the District.

**D. District Budget Activity Management, Monitoring and Review Program and Policy**

The goal of this Program is to normalize the organization's management of available resources and to ensure adequate controls on District expenditures. This Policy is designed to designate staff assignments for responsibly in managing the District's budget. This policy will assure expenditures and revenues are frequently monitored and managed by the District.

The District staff will monitor the Agency's revenue and expenditures on an ongoing basis throughout the fiscal year. This monitoring program will ensure the staff, Board and public will receive timely and accurate reporting on the District's financial position as described in the District's Financial Reporting Policy.

The monitoring program has been divided into several categories to assist the staff in managing the budget throughout the year. They are based on the need for frequency of review and confirmation of the accuracy of the expenditures.

Revenues will be tracked and recorded as received and extraordinary revenue booked as received.

The budget monitoring activities include:

**Actively managed activity accounts** which are reviewed on a frequent basis by the Fire Chief and administrative staff to ensure accurate data input and a thorough review of the activity. The year-to-date and budget-to-actual expenditures will be reviewed to ensure conformance with the approved budget. Any inconsistencies will be addressed.

**Managed by staff** accounts are created by and managed/monitored by line staff—generally Fire Captains who are responsible for development of the fiscal year expenditure programs. These identified areas are ten key programs that involve significant expenditures in areas that can potentially exceed the line item budgets significantly. Vehicle and equipment repairs and maintenance are examples of these program areas. The assigned staff will ensure the charges are allocated correctly, are needed and that the budgeted amount for the program will not be exceeded during the fiscal year.

**Periodically managed** activity accounts are reviewed by administrative staff on a regular basis and are normally infrequent and lower cost items.

**Monitored/not managed** items are reviewed by administrative staff on a regular basis and are normalized monthly expenditures (leases, rent, contract agreements) and are lower cost expenditures

RODEO HERCULES FIRE DISTRICT				
BUDGET ACTIVITY MANAGEMENT/MONITORING/REVIEW CATEGORIES				
ACCOUNT	ACTIVITY DESCRIPTION	BUDGET MANAGEMENT CLASSIFICATION	RESPONSIBLE PARTY	
1001	Holiday Pay	1. Actively Managed	Chief/Staff	
1011	Permanent Salaries	1. Actively Managed	Chief/Staff	
1013	Drill/Temporary Salaries	1. Actively Managed	Chief/Staff	
1014	Overtime	1. Actively Managed	Chief/Staff	
1015	Deferred Compensation	1. Actively Managed	Chief/Staff	
1042	FICA	1. Actively Managed	Chief/Staff	
1044	Retirement	1. Actively Managed	Chief/Staff	
1060	Group Insurance	1. Actively Managed	Chief/Staff	
1061	Group Insurance--Retiree/ARC	1. Actively Managed	Chief/Staff	
1063	Unemployment	1. Actively Managed	Chief/Staff	
1070	Workers Compensation Insurance	3. Periodically Managed	Administrative Staff	
2100	Office Expenses	3. Periodically Managed	Administrative Staff	
2102	Books/Periodicals/Subscriptions	3. Periodically Managed	Administrative Staff	
2110	Communications	3. Periodically Managed	Administrative Staff	
2120	Utilities	3. Periodically Managed	Administrative Staff	
2130	Small Tools & Equipment	2. Managed by Staff	Captains/Program Managers	
2140	Medical Supplies	2. Managed by Staff	Captains/Program Managers	
2150	Food	4. Monitored/Not Managed	Administrative Staff	
2160	Clothing & Personal Supplies	4. Monitored/Not Managed	Administrative Staff	
2170	Household Expenses	2. Managed by Staff	Captains/Program Managers	
2190	Publications & Legal Notices	4. Monitored/Not Managed	Administrative Staff	
2200	Memberships	4. Monitored/Not Managed	Administrative Staff	
2250	Rents & Leases-Equipment	4. Monitored/Not Managed	Administrative Staff	
2270	Repair & Service Equipment	3. Periodically Managed	Administrative Staff	
2271	Vehicle Repair Services	2. Managed by Staff	Captains/Program Managers	
2272	Gas & Oil Supplies	2. Managed by Staff	Captains/Program Managers	
2273	Vehicle Maintenance--Tires	2. Managed by Staff	Captains/Program Managers	
2276	Maintenance-Radio/Electronic Equip	2. Managed by Staff	Captains/Program Managers	
2281	Maintenance-Bldg & Grounds	2. Managed by Staff	Captains/Program Managers	
2303	Employee Travel Expenses	4. Monitored/Not Managed	Administrative Staff	
2310	Professional/Specialized Services	1. Actively Managed	Chief/Staff	
2315	Data Processing Services	4. Monitored/Not Managed	Administrative Staff	
2316	Data Processing Supplies	4. Monitored/Not Managed	Administrative Staff	
2326	Information Security	4. Monitored/Not Managed	Administrative Staff	
2360	Insurance	4. Monitored/Not Managed	Administrative Staff	
2474	Firefighting Supplies	2. Managed by Staff	Captains/Program Managers	
2476	Recreation/Physical Fitness Equipment	2. Managed by Staff	Captains/Program Managers	
2477	Educational Supplies & Courses	3. Periodically Managed	Administrative Staff	
2479	Other Sp. Departmental Expenses	3. Periodically Managed	Administrative Staff	
3520	Interest on Notes & Warrants	4. Monitored/Not Managed	Administrative Staff	
3530	Taxes & Assessments	4. Monitored/Not Managed	Administrative Staff	
<b>ACTIVITY DESCRIPTIONS:</b>				
1.	<b>Actively Managed</b>	<i>Actively Managed Activity Accounts</i> are reviewed on a frequent basis by Chief administrative staff to insure accurate data input and thorough review of the activity		
2.	<b>Managed by Staff</b>	<i>Managed by Staff Activity Accounts</i> are created by and managed/monitored by generally captains who are responsible for development of the fiscal year program and managing the expenses to insure they are appropriate, charged correctly and do not exceed the budgeted amounts.		
3.	<b>Periodically Managed</b>	<i>Periodically Managed Activity Accounts</i> are reviewed by Administrative Staff on a on a regular basis and are normally infrequent and low cost items		
4.	<b>Monitored/not Managed</b>	<i>Monitored/Not Managed Activity Accounts</i> are reviewed by Administrative staff on on a periodic basis these are infrequent, lower cost or normalized expenditures		

**V. DISTRICT REVENUES, EXPENDITURES & FUND BALANCES**

**A. District Revenues**

The District has historically received the majority of its revenue from property taxes generated within its service boundary. There are a number of components to the property tax income, but the largest source of that category has been the District’s share of the ad valorem (1% of assessed value) property tax collected by the County and distributed to qualifying agencies.

The District historically received a “pass-through” of some of the ad valorem property tax received by the County in the Rodeo redevelopment project area and in the City of Hercules redevelopment project areas. The recent demise of redevelopment has eliminated the pass-through from the City of Hercules redevelopment Successor Agency, because of the State’s requirement that property tax collected in the former Hercules redevelopment project areas cannot be distributed to qualified agency recipients until the Hercules Successor Agency has paid off other outstanding obligations.

Two other major revenues are generated through voter approved special taxes. One is a long-standing revenue (fire benefit assessment district) and the most recent was approved in 2016. The 2016 Measure O proposal was approved in November of that same year and became effective on July 1, 2017. This revenue source will supplant the historic loss of property taxes and the 2014 Benefit Assessment the District received in the past.

Property taxes, the District’s Benefit Assessment District and Measure O equal 93% percent of the revenues received annually, Miscellaneous/other revenues equal 7% of total revenue:

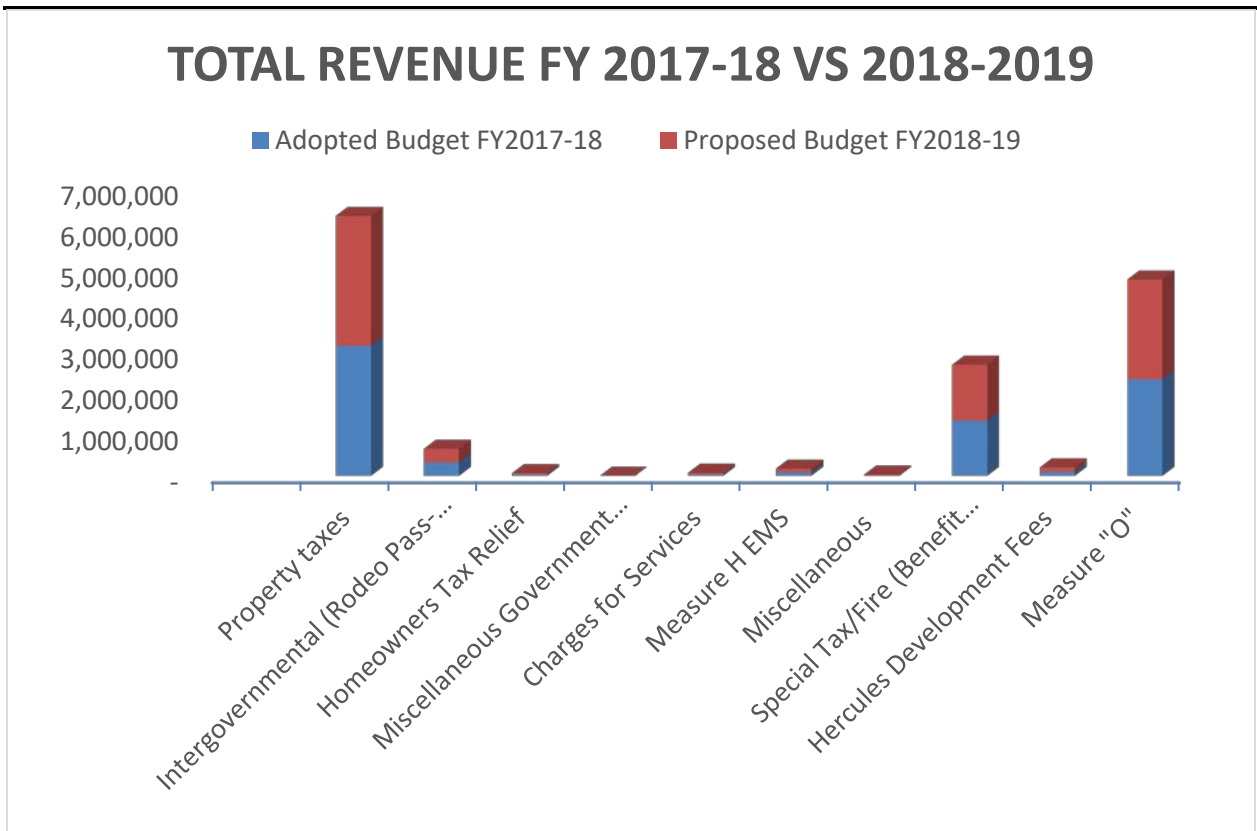
• Property taxes	\$3,154,122	42%
• Benefit Assessment District	\$1,354,034	18%
• Measure O	\$2,352,672	32%
• Miscellaneous other	\$ 619,722	<u>8%</u>
		100%

Property tax and Benefit Assessments District revenues have been in place since the District incorporated and the Measure O funding was approved by the voters in 2016. These three sources of revenue will provide a stable long-term revenue stream for the District. While the Benefit Assessment District and Measure O revenues are based on set annual amounts, the property tax is “ad valorem” based revenue. The annual revenue from property tax varies year to year depending on the general economic conditions as they affect property values.

Total projected revenues for FY 2018-19 are \$7,382,390.



<b>RODEO HERCULES FIRE PREVENTION DISTRICT</b>				
<b>FISCAL YEAR 2018-19</b>				
<b>REVENUE</b>				
<b>DESCRIPTION</b>	<b>GL CODE</b>	<b>ACTUALS FY16-17</b>	<b>PROJECTED ACTUALS FY 17-18</b>	<b>PROPOSED BUDGET FY 18-19</b>
Prop. Taxes-Current secured	9010	2,784,636	2,937,718	2,866,199
Prop. Tax-Supplemental	9011	113,020	24,905	114,818
Prop. Tax-Unitary	9013	71,565	74,884	73,711
Prop. Tax-Current Unsecured	9020	118,274	112,167	114,508
Prop Tax-Prior-Secured	9030	(9,158)	(8,569)	(9,158)
Prop Tax-Prior-Supplemental	9031	(5,789)	(4,981)	(5,789)
Prop Tax-Prior-Unsecured	9035	3,825	(948)	(167)
<b>TOTAL PROPERTY TAXES</b>		<b>3,076,373</b>	<b>3,135,177</b>	<b>3,154,122</b>
Benefit District	9066	1,339,548	1,354,034	1,354,034
<b>TOTAL BENEFIT DISTRICT</b>		<b>1,339,548</b>	<b>1,354,034</b>	<b>1,354,034</b>
H/O Prop Tax Relief	9385	30,665	30,945	31,873
Other in Lieu Taxes	9580	182	-	-
RDA NonProp-Tax Pass Thru	9591	334,773	322,276	331,944
Misc. Government Revenue	9595	17,321	-	-
Fire Prevention Plan Review	9741	23,009	41,812	43,066
Meassure H EMS	9895	85,525	87,565	87,565
Other Revenue	9980	13,623	26,323	27,113
		-	-	-
<b>TOTAL INTERGOVERNMENTAL</b>		<b>505,098</b>	<b>508,921</b>	<b>521,561</b>
Measure "0"		-	2,429,756	2,352,672
Fire Assessment Fund		1,006,138	-	-
Capital Fund		65,000	-	-
SAFER Grant		880,740	-	-
<b>TOTAL OTHER REVENUE</b>		<b>1,951,878</b>	<b>2,429,756</b>	<b>2,352,672</b>
<b>TOTAL PROJECTED FY2018-2019 REVENUE</b>		<b>6,872,897</b>	<b>7,427,888</b>	<b>7,382,389</b>

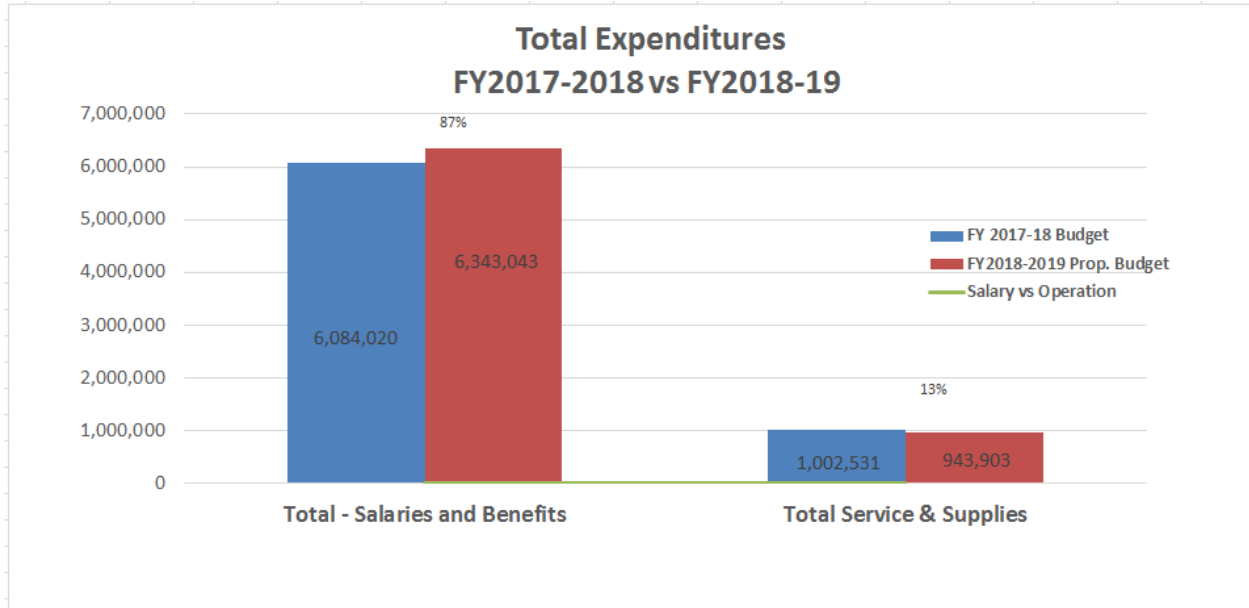


**B. District Expenditures**

As discussed earlier the Proposed Budget for FY 2018-19 is based on maintaining the District’s two station configuration, is fully staffed and provides no increases in salaries or benefits. It ‘holds the line’ on expenses to the extent possible. The total projected expenditures for FY 2018-19 are \$7,286,946.

**RODEO-HERCULES FIRE PROTECTION DISTRICT  
FY2018-19 EXPENDITURES BUDGET**

Expenditure Category	GL CODE	ADOPTED BUDGET FY 17-18	ESTIMATED TO 06/30/18	PROPOSED BUDGET FY 2018-19
Holiday Pay	1001	156,543	146,325	149,923
Permanent Salaries	1011	2,199,278	2,147,211	2,360,955
Drill/Temporary Salaries	1013	500	22	500
<b>Overtime</b>				-
Backfill (Overtime)	1014	376,200	367,486	376,200
FLSA	1014	50,877	55,236	48,725
Deferred Compensation	1015	10,800	9,900	10,800
FICA	1042	31,115	45,811	32,103
<b>Retirement</b>	1044			-
Retirement - Normal	1044	540,149	518,901	561,262
Retirement - UAAL	1044	1,652,779	1,652,889	1,683,840
Group Insurance	1060	503,911	379,937	517,577
Group Insurance - Retiree	1061	315,000	244,221	337,050
Unemployment	1063	1,000	611	1,000
Workers Compensation Insurance	1070	245,868	245,868	263,108
<b>Total - Personnel</b>		<b>6,084,020</b>	<b>5,814,418</b>	<b>6,343,043</b>
Office Expenses	2100	12,780	12,780	16,945
Books/Periodicals/Subscriptions	2102	2,485	2,000	2,485
Communications	2110	162,656	201,843	180,915
Utilities	2120	28,823	28,823	28,823
Small Tools & Instruments	2130	2,000	5,414	1,400
New Vehicle Equipment	2130	30,000	41,399	-
Medical Supplies	2140	7,340	7,000	7,340
Food	2150	1,920	3,115	2,420
Clothing & Personal Supplies	2160	13,200	12,650	13,200
Household Expense	2170	13,275	10,000	6,000
Publications & Legal Notices	2190	1,180	1,400	1,180
Memberships	2200	4,204	4,077	4,204
Rents & Leases - Equipment	2250	8,640	8,640	8,640
Lease Payments-Vehicles	2250	80,401	80,401	80,401
Repairs & Service Equipment	2270	35,224	10,000	17,740
Central Garage Repairs	2271	71,620	64,079	72,820
Central Garage Gasoline/Oil	2272	8,620	7,000	10,000
Central Garage Tires	2273	10,531	13,409	12,500
Maintenance Radio - Electronic Equip	2276	20,780	20,680	27,300
Maintenance of Buildings	2281	42,064	15,000	18,864
Other Travel Expenses	2303	3,172	2,500	4,360
Professional/Specialized Services	2310	314,843	320,000	346,368
Data Processing Service	2315	192	207	192
Data Processing Supplies	2316	323	323	323
Information Security	2326	1,020	1,033	1,020
Insurance	2360	34,639	41,539	40,423
Fire Fighting Supplies	2474	48,498	40,000	4,180
Recreation/Physical Fitness Equipment	2476	6,200	1,000	700
Education Supplies & Courses	2477	17,457	7,500	17,220
Other Special Departmental Expenses	2479	3,444	1,500	1,940
Interest on Notes & Warrants	3520	2,000		1,000
Taxes & Assessments	3530	13,000	11,158	13,000
<b>Total Service &amp; Supplies</b>		<b>1,002,531</b>	<b>976,469</b>	<b>943,903</b>
<b>Total Expenditures</b>		<b>\$7,086,551</b>	<b>6,790,887</b>	<b>7,286,946</b>

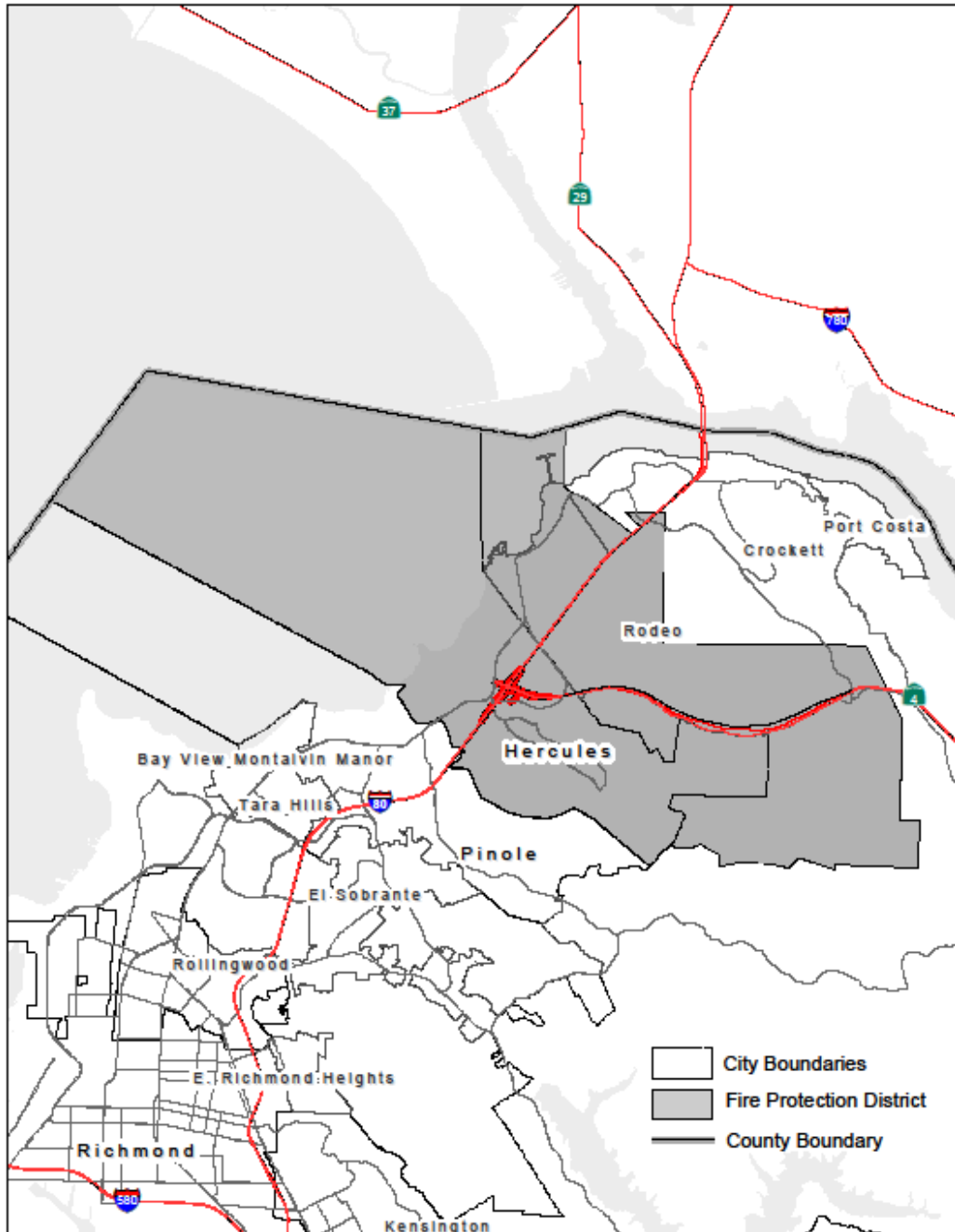


<b>RODEO HERCULES FIRE PROTECTION DISTRICT</b>				
<b>FISCAL YEAR 2018-19</b>				
<b>FIRE FACILITIES FEE REVENUE AND EXPENDITURES</b>				
<b>DESCRIPTION</b>	<b>GL CODE</b>	<b>ACTUALS FY16-17</b>	<b>PROJECTED ACTUALS FY 17-18</b>	<b>PROPOSED BUDGET FY 18-19</b>
DEVELOPMENT IMPACT REVENUE		56,000	100,000	103,000
<b>TOTAL DEVELOPMENT REVENUE</b>		<b>56,000</b>	<b>100,000</b>	<b>103,000</b>
100 1 1/2 " Hose Wildland	2474			1,600
100 5' LDH Hose	2474			9,600
50' 1 3/4" Hose	2474			1,848
Rescue / Rope-Water	2474			3,000
Structure/ /Wildland Fire PPE	2474			30,000
SCBA Compressor	2474	-		53,000
<b>TOTAL EXPENDITURES</b>		<b>-</b>	<b>-</b>	<b>99,048</b>
<b>PROJECTED Excess</b>				<b>3,952</b>

**C. District Fund Balances**

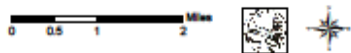
The FY 2018-19 Proposed Budget is balanced. The District is projected to have a year-end **\$262,491** General Fund balance. That amount is roughly 2% of the District’s total General Fund expenditures, far short of the \$1.2 million recommended uncommitted fund balance (equal to two months of operating expenses).

### Rodeo-Hercules Fire Protection District



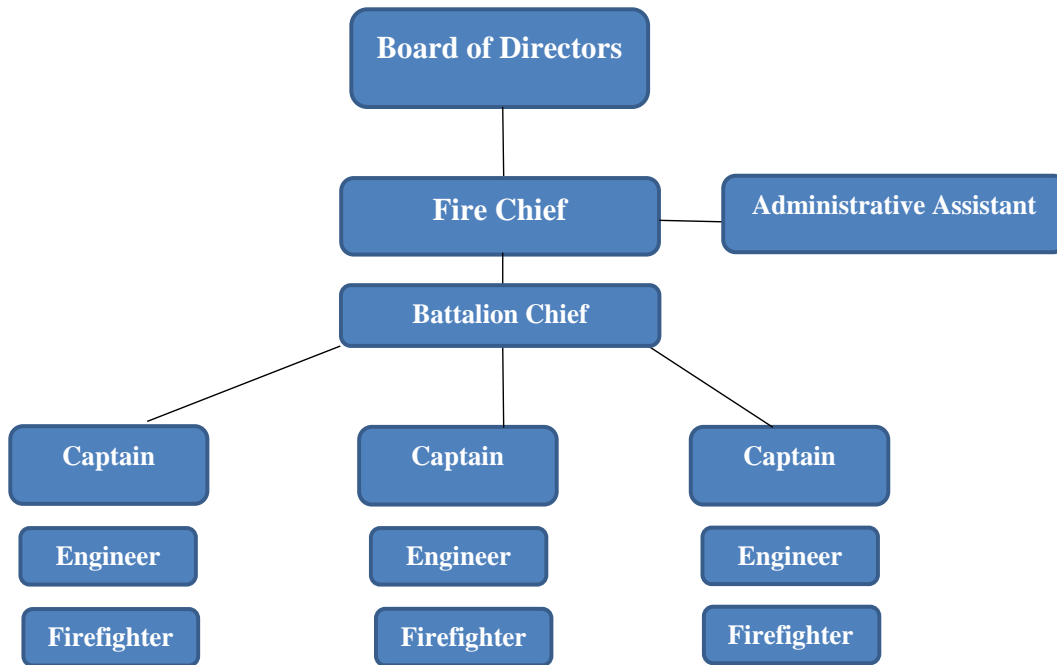
Map created 8/20/2018  
by Corbin Coyle Community Development GIS Group  
401 Pine Street, 4th Floor North Wing, San Jose, CA 95131-2586  
973.66.4299 322.663.2649

This map was created by the Contra Costa County Community Development Department with data from the Contra Costa County GIS Program. Some data, such as primary City Limits, is derived from the CA State Board of Equalization's file data. While diligent care has been taken, the County assumes no responsibility for its accuracy. The map contains copyrighted information and may not be altered. Copying or reproduction of the content outside of the context is prohibited. Users of this map agree to hold and defend the County of Contra Costa harmless from liability for geographic information.



ORGANIZATIONAL CHART

RODEO-HERCULES FIRE PROTECTION DISTRICT



**VI. GENERAL FUND EXPENDITURES**

The Proposed Budget expenditures include the District at full staffing. During FY 2016-17, three SAFER employees transitioned to the District on a permanent basis and three vacant positions were filled through recruitment. The District is currently at full staffing and anticipates a full staffing complement for 2018-19 fiscal year that includes:

- One Interim Fire Chief
- One Battalion Chief
- Six Captains
- Six Engineers
- Six Firefighters
- One Administrative Assistant

The ability to have achieved full staffing has reduced the District’s overtime costs significantly, and provided permanent employees to staff the two-station configuration.

Some observations regarding the proposed expenditures:

- Approximately 85% of all expenditures are employee related (salaries, benefits, retirement, etc.);
- Of the employee related expenses, salaries and retirement costs are virtually equal, retirement payments equal one \$1.00 for each \$1.00 of salary;

- The CCCERA retirement Unamortized Actuarial Accrued Liability (UAAL) payment increased by \$73,312 or approximately 4%;

The Budget includes the following significant items:

- No salary increases (See Appendix A-Employee Compensation Calculations);
- No new or modified benefits;
- Increases in retirement contributions for normal (\$42,361) and retirement UAAL (unamortized) costs (\$73,312);
- Increases in medical benefits costs (\$90,000);
- Budgeting current vehicle lease costs in the General Fund (\$80,401);
- Increase in professional services (\$75,000.).

**VII ADMINISTRATION & PROFESSIONAL SERVICES**

The Administration portion of the budget is contained in the General Fund Expenditures and contains one Administrative position responsible for a variety of administrative activities. These include managing the District’s payroll and accounting activities, authorizing vendor payments, processing personnel, conducting human resources activities and serving as Secretary to the Board of Directors.

Also included in this activity are the expenditures for Professional Services which are shown in the following table

**PROFESSIONAL SERVICES BUDGET 2017-18**

IEDA (Labor Negotiator)	\$18,396.00
Annual Audit	\$16,500.00
Maintenance of Fire Trails	\$13,000.00
Information Technology Maintenance and Repair	\$18,000.00
Third Party - Audit/budgeting/Financial Assistance/Oversight	\$20,000.00
Fire Information Support - Records	\$ 3,000.00
Semi - Annual Medical Exams	\$10,500.00
Attorney (Meyers Nave)	\$100,000.00
Fire Prevention	\$40,000.00
County Auditor’s Office Fees	\$30,000.00
Quarterly EMS Training / CQI / Infectious Disease Control	\$24,000.00
ATS (Phone System Support)	\$ 250.00
OPEB Actuarial	\$ 3,800.00
2018 Board Election	\$25,000.00
County Levy Processing Fee	\$ 2,200.00
CUPA Fees	\$ 402.00
LAFCO	\$ 3,300.00
Avery & Associates	\$17,000.00
Website Web Hosting	\$ 1,020.00
<b>TOTAL</b>	<b>\$346,368.00</b>

The items in the Professional Services Budget are largely continuations of prior expenditures updated to reflect current costs. Several of the items are new or of note. The items of note include:



- *Contra Costa County Board of Elections:* The District holds a staggered general election for Board Members that have reached the end of their term. Each Board member has a term of 4 years, with three seats available in 2018.
- *Avery and Associates:* The Board had elected to conduct an independent employment search for Fire Chief.
- *Attorney:* District utilizes attorney to ensure the District is compliant with all laws and regulations.

## VII. FIRE OPERATIONS

Rodeo-Hercules Fire District is an all risk department operating individual fire companies specially trained to respond to residential and commercial fires, refinery and industry related incidents, wildland fires and vehicle extrication technical rescue and hazard materials first responder duties. Engine companies are also tasked with determining the origin and cause of fires and providing rescue and advanced life support services. The District provides a minimum of one advanced life support paramedic on duty 365 days a year in the Town of Rodeo and the City of Hercules.

Rodeo-Hercules Fire District also operates and participates in Battalion 7, a jointly operated Battalion with Pinole Fire Department and the Contra Costa County Fire Protection District. Each participating entity provides a single Battalion Chief to ensure the consistent establishment of incident command, firefighter safety and judicious resource management at emergencies. The Battalion also serves the outlying communities of Rodeo-Hercules including Pinole, Tara Hills, Bayview, Montalvan Manor, Montara Bay, East Richmond Heights, San Pablo, El Sobrante, unincorporated Contra Costa County and Martinez. Each of these areas presents unique set of complex hazards and the rapid establishment of fire ground command is essential to the successful resolution of an array of calls for service.

The District also responds automatic aid (additional unit response on a call regardless of jurisdictional boundaries) and mutual aid (request for additional resources for large incidents or due to multiple simultaneous incidents). Citizens of participating communities benefit from this sharing of resources and regionalized approach. These extended responses have included the Contra Costa County Fire Protection District, Crockett-Carquinez Fire Protection District, Pinole Fire Department, Richmond Fire Department, El Cerrito Fire Department, Moraga/Orinda Fire Protection District and Vallejo Fire Department.

The District also participates in the California Fire Assistance Agreement for the State of California and Federal Fire Agencies. This agreement, which is managed by the Office of Emergency Services, has called upon R.H.F.P.D. to provide Mutual Aid resources throughout the State of California, Oregon and Nevada.

### **Community Outreach:**

When not providing emergency services the Engine Company crews participate in a variety of community outreach programs that include:

- Conducting Blood Pressure Screening for Rodeo and Hercules Senior Citizens
- Providing bicycle safety helmets to District children through donations from the Rodeo Municipal Advisory Council;
- Providing smoke detectors and carbon dioxide (CO2) detectors to District residents;
- Participating with local schools in Adopt-A-Class Programs;

- Participating in the Salvation Army food and toy drive collection;
- Participating in community parades and festivals;
- Participating in the Harvest Festival and Breakfast with Santa at St. Patrick's School;
- Participating in Read Across America;
- Participating in the Hercules Senior Center Pancake Breakfast;
- Participating in Career Day at the Hercules Teen Center;
- Participating in the Boy Scout 9/11 Ceremony;
- Participating in the Rodeo baseball parade, the Hercules Fourth of July Parade, Veterans Walk of Honor, Safety and Health Fairs, Hercules Kids Fest, and
- Providing Fire Extinguisher Training for both the community and local businesses.

**Community Outreach Goals:**

- Hosting of Neighborhood Emergency Response Teams (NERT) classes.
- Establishing a Citizen Advisory Panel for the District.

**Fire Prevention:**

Engine companies conducted fire and life safety inspections of all schools and Business within the Fire District. Engine companies also conduct inspection of public and private properties for; hazardous and/or combustible fuels, unabated annual grasses, urban blight, and give notifications to abate said hazards.

The District employees two independent outside contractors that split their time in accordance with their expertise for inspection of residential care facilities, licensed daycare and adult care facilities, commercial tenant improvements; new construction and provide construction plan review of construction plans and specifications for compliance with local and state requirements, and regularly meet with developers and contractors.

**Apparatus:**

The District operates a variety of Fire Apparatus including:

- A 75 foot Quint Ladder Truck
- One Type 1 Rescue Pumper
- Two Type 1 Engines
- Two Type 3 Wild Land Engines

Fire apparatus are placed into category types identified in the Incident Command System as a means of organizing multiagency resources through the National Interagency Fire Center. The District maintains a variety of fire apparatus and equipment in order to meet the public safety needs of our service area that includes major highways and streets, undeveloped wildland, developed urban residential and refinery/industrial areas.

**Fire Incident Calls—2017**

<b>Incident Type</b>	<b>Number of Calls</b>
Fire	132
EMS/Rescue	1,509
Hazardous Condition	44
Service Call	196
Good Intent	548
False Call	189
Other	7
<b>TOTAL</b>	<b>2,625</b>
<b>*See Appendix E for Details</b>	

**VIII. VEHICLE REPLACEMENT RESERVE**

The Budget preparation process included an extensive review of the District’s vehicle fleet. The vehicles were categorized by age, use and role in emergency response, and a replacement program was created. The District’s recent vehicle replacements have been funded by securing a line of credit and paying off the debt on the line of credit over a 10-year period.

A 20-year vehicle replacement schedule was created as the basis for the cost modeling used to calculate the costs of leasing vehicles versus setting aside funds in a vehicle replacement reserve and acquiring the vehicles with cash.

The District has a current line of credit obligation that requires lease payments through FY 2021-22. The District will need to replace Engine 754 (Type I Spartan) and Engine 768 (Quint 76) in FY 2018-19, and the cost modelling assumes that this vehicle will be funded by another 10-year lease (because funds have not been previously set aside for the acquisition of this replacement vehicle).

The proposed (Lease-set aside) approach calls for the District to continue existing leases and add two additional lease for the replacement of Engine 754 and 768 (in 2018-19), and beginning to set aside funds in a Vehicle Replacement Reserve. Using this approach the District will need to add funds to the reserve in addition to the lease costs, but in 10 years the District will then acquire all other vehicles with cash on a ‘go forward’ basis. Utilizing the Lease-set-aside approach, the District will accumulate \$860,383 in cash in the vehicle replacement reserve at the end of 20 years and incur no interest costs after year 10. (See *Appendix C—Vehicle Replacement Schedules*).

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**IX. FIVE YEAR REVENUE & EXPENDITURE PROJECTIONS**

Preparation of the Proposed Budget included the creation of Five Year Revenue and Expenditure Projections to provide the Board and staff with a roadmap for fiscal decisions and policy. (See *Appendix D-Five Year Revenue and Expenditure Projections*).

In summary, if the projections are sustained, the District is not projected to experience any significant financial issues. This conclusion is predicated on continued stable staffing, no benefit expansions or improvements, UAAL and other costs rising at the projected rate and no significant diminishment in revenues.

There are; however, several areas of risk worth noting:

- A significant portion of the District's revenue (almost 42%) is property tax which is based on real estate values. A disturbance in values will translate to diminished revenues.
- The projections include a limited increase of 2% per year for personnel related costs, which could be largely consumed by expenditure areas with high growth potential including health care for employees and retirees and UAAL payments for the retirement system.
- As an important reminder, the District's OPEB medical insurance for retirees program is only partially funded. The District is not making payments into the UAAL portion of the program currently calculated as \$561,262 per year. If the District paid the full Actuarially Required Contribution (ARC) the program would be sustainable.
- Overtime is calculated on the minimum allocation per employee and major events/illnesses/long term disabilities could create additional costs.

The Budget for Fiscal Year 2018-19 is balanced and maintains the District's two Fire Station configuration with full staffing. The current Five Year Revenue and Expenditure projections also show that the District will remain in a balanced position during that period and retain a modest fund balance.

**X. RHFD BUDGET APPENDICES**

- A. CCCERA Retirement Costs & UAAL**
- B. OPEB Contribution Costs & UAAL**
- C. Vehicle Replacement Schedules**
- D. Five Year Revenue and Expenditure Projections**
- E. Incident Report Detail**

## **APPENDIX A**

### **CCCERA RETIREMENT COSTS & UAAL**



**CONTRA COSTA COUNTY  
EMPLOYEES' RETIREMENT ASSOCIATION**

**CONTRIBUTION RATE PACKET FOR  
JULY 1, 2018 through JUNE 30, 2019**

# CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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## MEMORANDUM

Date: September 26, 2017  
To: Interested Parties and Participating Employers  
From: Gail Strohl, Chief Executive Officer  
Subject: Contribution Rates Effective July 1, 2018

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At its August 9, 2017 meeting, the Retirement Board reviewed and accepted the actuary's valuation report for the year ending December 31, 2016 and adopted the recommended employer and employee contribution rates, which will become effective on July 1, 2018. A copy of the December 31, 2016 Actuarial Valuation can be found on CCCERA's website at [www.cccera.org](http://www.cccera.org) under the Actuarial Valuations link.

Enclosed are the rates to be used effective July 1, 2018 through June 30, 2019. Please note the following:

- ✓ **The rates are effective July 1, 2018 through June 30, 2019 and have not yet been adopted by the County Board of Supervisors.**
- ✓ **The rates are BEFORE ANY EMPLOYER SUBVENTION of the employee contribution.** The rates quoted here are the employer required rates without taking into consideration any employer subvention of employee contributions. A convenient methodology for adding subvention is included for your use on page 20. Note that subvention is not always permitted for PEPRAs members.
- ✓ **The rates are BEFORE ANY INCREASE IN EMPLOYEE RATE to pay a portion of the employer contribution.** If an employee's rate needs to be increased to pay a portion of the employer contribution, both employee and employer rates would need to be adjusted accordingly. A convenient methodology for adding subvention is included for your use on page 20.

**THE BOARD OF SUPERVISORS OF CONTRA COSTA COUNTY, CALIFORNIA**

Adopted this Order on \_\_\_\_\_, by the following vote:

- AYES:
- NOES:
- ABSENT:
- ABSTAIN:

SUBJECT:     Approving Contribution Rates to be charged                             Resolution No. \_\_\_\_\_  
                   by the Contra Costa County  
                   Employees’ Retirement Association.

Pursuant to Government Code Section 31454 and on recommendation of the Board of the Contra Costa County Employees’ Retirement Association, BE IT RESOLVED that the following contribution rates are approved to be effective for the period July 1, 2018 through June 30, 2019.

**I. Employer Contribution Rates for Basic and Cost-of-Living Components and Non-refundability Discount Factors**

- A. For General Members (Sec. 31676.11, Sec. 31676.16 and Sec. 7522.20(a))  
     See attached Exhibit A
- B. For Safety Members (Sec. 31664, Sec. 31664.1 and Sec. 7522.25(d))  
     See attached Exhibit B

**II. Employee Contribution Rates for Basic and Cost-of-Living Components**

See attached Exhibits C through O

The Pension Obligation Bonds (POB) issued by the County in March 1994 and April 2003, affected contribution rates for certain County employers. The following non-County employers who participate in the Retirement Association are referred to as “Districts”.

- |   |  |
|---|--|
| Bethel Island Municipal Improvement District          | Contra Costa County Fire Protection District |
| Byron, Brentwood Knightsen Union Cemetery District    | East Contra Costa Fire Protection District   |
| Central Contra Costa Sanitary District                | Moraga-Orinda Fire Protection District       |
| Contra Costa County Employees’ Retirement Association | Rodeo-Hercules Fire Protection District      |
| Contra Costa Housing Authority                        | San Ramon Valley Fire Protection District    |
| Contra Costa Mosquito and Vector Control District     |  |
| Local Agency Formation Commission (LAFCO)             |  |
| Rodeo Sanitary District                               |  |
| In-Home Supportive Services Authority                 |  |
| First 5 - Children & Families Commission              |  |

All other departments/employers are referred to as “County” including the Superior Court of California, Contra Costa County.

Contra Costa County Fire Protection District and Moraga-Orinda Fire Protection District issued Pension Obligation Bonds in 2005 which affected contribution rates for these two employers. Subsequently, Con Fire has made additional payments to CCCERA for its UAAL in 2006 and 2007.

First 5 - Children & Families Commission made a UAAL prepayment in 2013 which affected contribution rates for that employer.

Central Contra Costa Sanitary District made a UAAL prepayment in 2013, 2014 and 2015 which affected contribution rates for that employer.

**Exhibit A - 1**

**CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

**EMPLOYER CONTRIBUTION RATES EFFECTIVE FOR JULY 1, 2018 THROUGH JUNE 30, 2019 for General Tier 1 and 3 Legacy Members**

	Cost Group #1				Cost Group #3	Cost Group #4	Cost Group #5
	Moraga-Orinda		Districts	without POB	Central Contra Costa Sanitary District	Contra Costa Housing Authority	Contra Costa County Fire Protection District
<b>GENERAL TIERS - ENHANCED</b>	County	Fire District	First 5				
<b>Tier 1 BASIC Enhanced</b>							
First \$350 monthly & in Social Security	16.08%	N/A	15.73%	19.67%	N/A	20.07%	N/A
Excess of \$350 monthly & in Social Security	24.12%	N/A	23.60%	29.51%	N/A	30.11%	N/A
All Eligible \$ if <b>NOT</b> in Social Security	24.12%	20.08%	N/A	29.51%	37.36%	N/A	23.02%
<b>Tier 1 COL Enhanced</b>							
First \$350 monthly	3.74%	N/A	3.63%	6.65%	N/A	8.89%	N/A
Excess of \$350 monthly	5.61%	N/A	5.44%	9.97%	N/A	13.33%	N/A
All Eligible \$ if <b>NOT</b> in Social Security	5.61%	4.59%	N/A	9.97%	14.47%	N/A	10.02%
<b>Non-Refundability Factor</b>	<b>0.9599</b>	<b>0.9599</b>	<b>0.9599</b>	<b>0.9599</b>	<b>0.9588</b>	<b>0.9563</b>	<b>0.9590</b>

	Cost Group #2		Cost Group	Employer Name	Tier
	County	Districts without POB	Cost Group #1	County General LAFCO CC Mosquito & Vector Control District Bethel Island Municipal Improvement District First 5 - Children and Families Commission Contra Costa County Employees' Retirement Association Superior Court East Contra Costa Fire Protection District Moraga-Orinda Fire Protection District Rodeo-Hercules Fire Protection District San Ramon Valley Fire Protection District	Tier 1 Enhanced (2% @ 55)
<b>Tier 3 BASIC Enhanced</b>					
First \$350 monthly	16.09%	19.76%			
Excess of \$350 monthly	24.13%	29.63%			
All Eligible \$ if <b>NOT</b> in Social Security	N/A	29.63%			
<b>Tier 3 COL Enhanced</b>					
First \$350 monthly	3.67%	6.60%			
Excess of \$350 monthly	5.50%	9.91%			
All Eligible \$ if <b>NOT</b> in Social Security	N/A	9.91%			
<b>Non-Refundability Factor</b>	<b>0.9576</b>	<b>0.9576</b>	Cost Group #2	County General In-Home Supportive Services CC Mosquito & Vector Control District Superior Court	Tier 3 Enhanced (2% @ 55)

	Cost Group #6	Cost Group	Employer Name	Tier
	Districts without POB	Cost Group #3	Central Contra Costa Sanitary District	Tier 1 Enhanced (2% @ 55)
<b>GENERAL TIER NON-ENHANCED</b>				
<b>Tier 1 BASIC NON-Enhanced</b>				
First \$350 monthly	17.12%	Cost Group #4	Contra Costa Housing Authority	Tier 1 Enhanced (2% @ 55)
Excess of \$350 monthly	25.68%	Cost Group #5	Contra Costa County Fire Protection District	Tier 1 Enhanced (2% @ 55)
All Eligible \$ if <b>NOT</b> in Social Security	N/A	Cost Group #6	Rodeo Sanitary District Byron Brentwood Cemetery District	Tier 1 Non-enhanced (1.67% @ 55)
<b>Tier 1 COL NON-Enhanced</b>				
First \$350 monthly	2.57%			
Excess of \$350 monthly	3.85%			
All Eligible \$ if <b>NOT</b> in Social Security	N/A			
<b>Non-Refundability Factor</b>	<b>0.9535</b>			

Basic rates shown include an administrative expense load of 0.66% of payroll. This load has been integrated and adjusted as appropriate into the first \$350 and excess of \$350 monthly rates shown.

**Exhibit A - 2**

**CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
 EMPLOYER CONTRIBUTION RATES EFFECTIVE FOR JULY 1, 2018 THROUGH JUNE 30, 2019 for General Tier 4 and 5 PEPRA Members with 2% Maximum COLA**

**GENERAL PEPRA TIERS**

**Tier 4 BASIC**

All Eligible \$

**Tier 4 COL**

All Eligible \$

**Non-Refundability Factor**

	Cost Group #1				Cost Group #3	Cost Group #4	Cost Group #5	Cost Group #6
	County	Moraga-Orinda Fire District	First 5	Districts without POB	Central Contra Costa Sanitary District	Contra Costa Housing Authority	Contra Costa County Fire Protection District	Districts without POB
All Eligible \$	20.27%	N/A	N/A	N/A	N/A	N/A	20.02%	N/A
All Eligible \$	4.03%	N/A	N/A	N/A	N/A	N/A	8.64%	N/A
<b>Non-Refundability Factor</b>	<b>0.9605</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>0.9635</b>	<b>N/A</b>

**Tier 5 BASIC**

All Eligible \$

**Tier 5 COL**

All Eligible \$

**Non-Refundability Factor**

	Cost Group #2	
	County	Districts without POB
All Eligible \$	19.69%	25.11%
All Eligible \$	3.88%	8.22%
<b>Non-Refundability Factor</b>	<b>0.9621</b>	<b>0.9621</b>

Cost Group	Employer Name	Tier
Cost Group #1	County General LAFCO CC Mosquito & Vector Control District Bethel Island Municipal Improvement District First 5 - Children and Families Commission Contra Costa County Employees' Retirement Association Superior Court East Contra Costa Fire Protection District Moraga-Orinda Fire Protection District Rodeo-Hercules Fire Protection District San Ramon Valley Fire Protection District	Tier 4 (2.5% @ 67)
Cost Group #2	County General In-Home Supportive Services CC Mosquito & Vector Control District Superior Court	Tier 5 (2.5% @ 67)
Cost Group #3	Central Contra Costa Sanitary District	Tier 4 (2.5% @ 67)
Cost Group #4	Contra Costa Housing Authority	Tier 4 (2.5% @ 67)
Cost Group #5	Contra Costa County Fire Protection District	Tier 4 (2.5% @ 67)
Cost Group #6	Rodeo Sanitary District Byron Brentwood Cemetery District	Tier 4 (2.5% @ 67)

Some tiers are not applicable to employers as shown above in the rate table.  
 Basic rates shown include an administrative expense load of 0.66% of payroll.

**Exhibit A - 3**

**CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

**EMPLOYER CONTRIBUTION RATES EFFECTIVE FOR JULY 1, 2018 THROUGH JUNE 30, 2019 for General Tier 4 and 5 PEPRA Members with 3% Maximum COLA**

GENERAL PEPRA TIERS	Cost Group #1				Cost Group #3	Cost Group #4	Cost Group #5	Cost Group #6
	County	Moraga-Orinda Fire District	First 5	Districts without POB	Central Contra Costa Sanitary District	Contra Costa Housing Authority	Contra Costa County Fire Protection District	Districts without POB
<b>Tier 4 BASIC</b> All Eligible \$	20.11%	16.40%	19.58%	25.53%	32.23%	25.31%	22.01%	24.39%
<b>Tier 4 COL</b> All Eligible \$	4.93%	3.98%	4.76%	9.27%	13.44%	12.42%	10.35%	3.79%
<b>Non-Refundability Factor</b>	<b>0.9625</b>	<b>0.9625</b>	<b>0.9625</b>	<b>0.9625</b>	<b>0.9661</b>	<b>0.9667</b>	<b>0.9637</b>	<b>0.9511</b>

GENERAL PEPRA TIERS	Cost Group #2		Cost Group	Employer Name	Tier
	County	Districts without POB	Cost Group #1	County General LAFCO CC Mosquito & Vector Control District Bethel Island Municipal Improvement District First 5 - Children and Families Commission Contra Costa County Employees' Retirement Association Superior Court East Contra Costa Fire Protection District Moraga-Orinda Fire Protection District Rodeo-Hercules Fire Protection District San Ramon Valley Fire Protection District	Tier 4 (2.5% @ 67)
<b>Tier 5 BASIC</b> All Eligible \$	19.83%	25.25%	Cost Group #2	County General In-Home Supportive Services CC Mosquito & Vector Control District Superior Court	Tier 5 (2.5% @ 67)
<b>Tier 5 COL</b> All Eligible \$	4.77%	9.11%	Cost Group #3	Central Contra Costa Sanitary District	Tier 4 (2.5% @ 67)
<b>Non-Refundability Factor</b>	<b>0.9630</b>	<b>0.9630</b>	Cost Group #4	Contra Costa Housing Authority	Tier 4 (2.5% @ 67)
			Cost Group #5	Contra Costa County Fire Protection District	Tier 4 (2.5% @ 67)
			Cost Group #6	Rodeo Sanitary District Byron Brentwood Cemetery District	Tier 4 (2.5% @ 67)

Basic rates shown include an administrative expense load of 0.66% of payroll.

**Exhibit B - 1**

**CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
 EMPLOYER CONTRIBUTION RATES EFFECTIVE FOR JULY 1, 2018 THROUGH JUNE 30, 2019 for Safety Tier A and C Legacy Members**

**SAFETY TIERS ENHANCED**

**Safety A BASIC Enhanced**

All eligible \$

**Safety A COL Enhanced**

All eligible \$

**Non-Refundability Factor**

Cost Group #7	Cost Group #8		Cost Group #10	Cost Group #11
	Contra Costa County Fire Protection District	East Contra Costa Fire Protection District	Moraga-Orinda Fire Protection District	San Ramon Valley Fire Protection District
County 48.35%	39.32%	67.65%	36.94%	54.05%
27.74%	34.34%	55.95%	34.42%	27.33%
<b>0.9657</b>	<b>0.9665</b>	<b>0.9665</b>	<b>0.9693</b>	<b>0.9670</b>

**Safety C BASIC Enhanced**

All eligible \$

**Safety C COL Enhanced**

All eligible \$

**Non-Refundability Factor**

Cost Group #9
County
46.73%
<b>0.9668</b>

Cost Group	Employer Name	Tier
Cost Group # 7	County Safety	Tier A Enhanced (3% @ 50)
Cost Group # 8	Contra Costa County Fire Protection District East Contra Costa Fire Protection District	Tier A Enhanced (3% @ 50)
Cost Group # 9	County Safety	Tier C Enhanced (3% @ 50)
Cost Group # 10	Moraga-Orinda Fire Protection District	Tier A Enhanced (3% @ 50)
Cost Group # 11	San Ramon Valley Fire Protection District	Tier A Enhanced (3% @ 50)
Cost Group # 12	Rodeo Hercules Fire Protection District	Tier A Non-enhanced (2% @ 50)

Basic rates shown include an administrative expense load of 0.66% of payroll.

**SAFETY TIER NON-ENHANCED**

**Safety A BASIC NON-Enhanced**

All eligible \$

Monthly Contribution Towards UAAL

**Safety A COL NON-Enhanced**

All eligible \$

Monthly Contribution Towards UAAL

**Non-Refundability Factor**

Cost Group #12
Rodeo-Hercules Fire Protection District
14.82%
\$73,195
5.20%
\$49,628
<b>0.9718</b>

**Exhibit B - 2**

**CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

**EMPLOYER CONTRIBUTION RATES EFFECTIVE FOR JULY 1, 2018 THROUGH JUNE 30, 2019 for Safety Tier D and E PEPRA Members**

**SAFETY PEPRA TIERS**

**Safety D BASIC (3% Maximum COLA)**

All eligible \$  
Monthly Contribution Towards UAAL

**Safety D COL (3% Maximum COLA)**

All eligible \$  
Monthly Contribution Towards UAAL

***Non-Refundability Factor***

Cost Group #7	Cost Group #8		Cost Group #10	Cost Group #11	Cost Group #12
	Contra Costa County Fire Protection District	East Contra Costa Fire Protection District	Moraga-Orinda Fire Protection District	San Ramon Valley Fire Protection District	Rodeo-Hercules Fire Protection District
40.48%	30.98%	59.31%	29.27%	45.47%	11.92%
N/A	N/A	N/A	N/A	N/A	\$10,427
26.62%	32.99%	54.60%	33.09%	25.96%	5.07%
N/A	N/A	N/A	N/A	N/A	\$7,070
<b>0.9755</b>	<b>0.9779</b>	<b>0.9779</b>	<b>0.9786</b>	<b>0.9784</b>	<b>0.9807</b>

**Safety E BASIC (2% Maximum COLA)**

All eligible \$

**Safety E COL (2% Maximum COLA)**

All eligible \$

***Non-Refundability Factor***

Cost Group #8 Contra Costa County Fire Protection District	Cost Group #9 County
30.32%	39.16%
30.89%	24.24%
<b>0.9757</b>	<b>0.9747</b>

Cost Group	Employer Name	Tier
Cost Group # 7	County Safety	Tier D (2.7% @ 57)
Cost Group # 8	Contra Costa County Fire Protection District	Tier D (2.7% @ 57)
	East Contra Costa Fire Protection District Contra Costa County Fire Protection District	Tier E (2.7% @ 57)
Cost Group # 9	County Safety	Tier E (2.7% @ 57)
Cost Group # 10	Moraga-Orinda Fire Protection District	Tier D (2.7% @ 57)
Cost Group # 11	San Ramon Valley Fire Protection District	Tier D (2.7% @ 57)
Cost Group # 12	Rodeo Hercules Fire Protection District	Tier D (2.7% @ 57)

Basic rates shown include an administrative expense load of 0.66% of payroll.

## Exhibit C

### GENERAL Cost Group #1 Non-PEPRA Member Contribution Rates

Membership Date before January 1, 2013

Effective 7/1/18 - 6/30/19

Expressed as a Percentage of Monthly Payroll\*

<u>Entry Age</u>	<u>Basic not in Social</u>	<u>Basic in Social</u>	<u>COLA</u>	<u>Total not in Social</u>	<u>Total in Social</u>
	<u>Security</u>	<u>Security*</u>		<u>Security</u>	<u>Security*</u>
15	5.40%	5.41%	2.69%	8.09%	8.10%
16	5.49%	5.50%	2.74%	8.23%	8.24%
17	5.58%	5.59%	2.78%	8.36%	8.37%
18	5.67%	5.68%	2.83%	8.50%	8.51%
19	5.76%	5.77%	2.88%	8.64%	8.65%
20	5.85%	5.86%	2.93%	8.78%	8.79%
21	5.95%	5.96%	2.99%	8.94%	8.95%
22	6.04%	6.05%	3.03%	9.07%	9.08%
23	6.14%	6.15%	3.09%	9.23%	9.24%
24	6.24%	6.25%	3.14%	9.38%	9.39%
25	6.34%	6.35%	3.20%	9.54%	9.55%
26	6.44%	6.45%	3.25%	9.69%	9.70%
27	6.55%	6.56%	3.31%	9.86%	9.87%
28	6.65%	6.66%	3.37%	10.02%	10.03%
29	6.76%	6.77%	3.43%	10.19%	10.20%
30	6.87%	6.88%	3.49%	10.36%	10.37%
31	6.98%	6.99%	3.55%	10.53%	10.54%
32	7.09%	7.10%	3.61%	10.70%	10.71%
33	7.20%	7.21%	3.67%	10.87%	10.88%
34	7.32%	7.33%	3.73%	11.05%	11.06%
35	7.44%	7.45%	3.80%	11.24%	11.25%
36	7.56%	7.57%	3.86%	11.42%	11.43%
37	7.68%	7.69%	3.93%	11.61%	11.62%
38	7.81%	7.82%	4.00%	11.81%	11.82%
39	7.94%	7.95%	4.07%	12.01%	12.02%
40	8.07%	8.08%	4.14%	12.21%	12.22%
41	8.21%	8.22%	4.22%	12.43%	12.44%
42	8.35%	8.36%	4.29%	12.64%	12.65%
43	8.49%	8.50%	4.37%	12.86%	12.87%
44	8.64%	8.65%	4.45%	13.09%	13.10%
45	8.80%	8.81%	4.54%	13.34%	13.35%
46	8.94%	8.95%	4.61%	13.55%	13.56%
47	9.09%	9.10%	4.69%	13.78%	13.79%
48	9.24%	9.25%	4.78%	14.02%	14.03%
49	9.40%	9.41%	4.86%	14.26%	14.27%
50	9.56%	9.57%	4.95%	14.51%	14.52%
51	9.72%	9.73%	5.04%	14.76%	14.77%
52	9.89%	9.90%	5.13%	15.02%	15.03%
53	10.05%	10.06%	5.22%	15.27%	15.28%
54	10.17%	10.18%	5.28%	15.45%	15.46%
55	10.31%	10.32%	5.36%	15.67%	15.68%
56	10.39%	10.40%	5.40%	15.79%	15.80%
57	10.38%	10.39%	5.40%	15.78%	15.79%
58	10.28%	10.29%	5.34%	15.62%	15.63%
59	10.01%	10.02%	5.19%	15.20%	15.21%
60 and over	10.01%	10.02%	5.19%	15.20%	15.21%

Administrative Expense: 0.46% of payroll added to Basic rates.

COLA Loading: 54.39% applied to Basic rates prior to adjustment for administrative expenses.

**\*NOTE:** For members in Social Security, the rate should only be applied to monthly compensation in excess of \$116.67.  
The rate should be applied to compensation up to the annual IRC 401(a)(17) compensation limit.



## Exhibit D

### GENERAL Cost Group #2 Non-PEPRA Member Contribution Rates

Membership Date before January 1, 2013

Effective 7/1/18 - 6/30/19

Expressed as a Percentage of Monthly Payroll\*

<u>Entry Age</u>	<u>Basic not in Social</u>	<u>Basic in Social</u>	<u>COLA</u>	<u>Total not in Social</u>	<u>Total in Social</u>
	<u>Security</u>	<u>Security*</u>		<u>Security</u>	<u>Security*</u>
15	5.39%	5.40%	2.46%	7.85%	7.86%
16	5.48%	5.49%	2.50%	7.98%	7.99%
17	5.57%	5.58%	2.55%	8.12%	8.13%
18	5.66%	5.67%	2.59%	8.25%	8.26%
19	5.75%	5.76%	2.64%	8.39%	8.40%
20	5.84%	5.85%	2.68%	8.52%	8.53%
21	5.93%	5.94%	2.73%	8.66%	8.67%
22	6.03%	6.04%	2.78%	8.81%	8.82%
23	6.13%	6.14%	2.83%	8.96%	8.97%
24	6.23%	6.24%	2.88%	9.11%	9.12%
25	6.33%	6.34%	2.93%	9.26%	9.27%
26	6.43%	6.44%	2.98%	9.41%	9.42%
27	6.53%	6.54%	3.03%	9.56%	9.57%
28	6.63%	6.64%	3.08%	9.71%	9.72%
29	6.74%	6.75%	3.13%	9.87%	9.88%
30	6.85%	6.86%	3.19%	10.04%	10.05%
31	6.96%	6.97%	3.24%	10.20%	10.21%
32	7.07%	7.08%	3.30%	10.37%	10.38%
33	7.19%	7.20%	3.36%	10.55%	10.56%
34	7.30%	7.31%	3.41%	10.71%	10.72%
35	7.42%	7.43%	3.47%	10.89%	10.90%
36	7.54%	7.55%	3.53%	11.07%	11.08%
37	7.67%	7.68%	3.59%	11.26%	11.27%
38	7.79%	7.80%	3.65%	11.44%	11.45%
39	7.92%	7.93%	3.72%	11.64%	11.65%
40	8.06%	8.07%	3.79%	11.85%	11.86%
41	8.19%	8.20%	3.85%	12.04%	12.05%
42	8.33%	8.34%	3.92%	12.25%	12.26%
43	8.48%	8.49%	4.00%	12.48%	12.49%
44	8.62%	8.63%	4.07%	12.69%	12.70%
45	8.77%	8.78%	4.14%	12.91%	12.92%
46	8.93%	8.94%	4.22%	13.15%	13.16%
47	9.08%	9.09%	4.30%	13.38%	13.39%
48	9.22%	9.23%	4.37%	13.59%	13.60%
49	9.37%	9.38%	4.44%	13.81%	13.82%
50	9.53%	9.54%	4.52%	14.05%	14.06%
51	9.71%	9.72%	4.61%	14.32%	14.33%
52	9.87%	9.88%	4.69%	14.56%	14.57%
53	10.02%	10.03%	4.77%	14.79%	14.80%
54	10.17%	10.18%	4.84%	15.01%	15.02%
55	10.27%	10.28%	4.89%	15.16%	15.17%
56	10.34%	10.35%	4.93%	15.27%	15.28%
57	10.31%	10.32%	4.91%	15.22%	15.23%
58	10.15%	10.16%	4.83%	14.98%	14.99%
59	10.03%	10.04%	4.77%	14.80%	14.81%
60 and over	10.03%	10.04%	4.77%	14.80%	14.81%

Administrative Expense: 0.46% of payroll added to Basic rates.

COLA Loading: 49.86% applied to Basic rates prior to adjustment for administrative expenses.

**\*NOTE:** For members in Social Security, the rate should only be applied to monthly compensation in excess of \$116.67.  
The rate should be applied to compensation up to the annual IRC 401(a)(17) compensation limit.

**Exhibit E**  
**GENERAL Cost Group #3 Non-PEPRA Member Contribution Rates**  
**Membership Date before January 1, 2013**  
**Effective 7/1/18 - 6/30/19**  
**Expressed as a Percentage of Monthly Payroll\***

<u>Entry Age</u>	<u>Basic</u>	<u>COLA</u>	<u>Total</u>
15	5.61%	2.86%	8.47%
16	5.70%	2.91%	8.61%
17	5.79%	2.96%	8.75%
18	5.89%	3.02%	8.91%
19	5.98%	3.07%	9.05%
20	6.08%	3.12%	9.20%
21	6.17%	3.17%	9.34%
22	6.27%	3.23%	9.50%
23	6.38%	3.29%	9.67%
24	6.48%	3.34%	9.82%
25	6.58%	3.40%	9.98%
26	6.69%	3.46%	10.15%
27	6.80%	3.52%	10.32%
28	6.90%	3.58%	10.48%
29	7.02%	3.64%	10.66%
30	7.13%	3.71%	10.84%
31	7.24%	3.77%	11.01%
32	7.36%	3.83%	11.19%
33	7.48%	3.90%	11.38%
34	7.60%	3.97%	11.57%
35	7.72%	4.03%	11.75%
36	7.85%	4.11%	11.96%
37	7.98%	4.18%	12.16%
38	8.11%	4.25%	12.36%
39	8.24%	4.32%	12.56%
40	8.38%	4.40%	12.78%
41	8.52%	4.48%	13.00%
42	8.67%	4.56%	13.23%
43	8.81%	4.64%	13.45%
44	8.97%	4.73%	13.70%
45	9.12%	4.81%	13.93%
46	9.27%	4.89%	14.16%
47	9.43%	4.98%	14.41%
48	9.59%	5.07%	14.66%
49	9.73%	5.15%	14.88%
50	9.90%	5.24%	15.14%
51	10.06%	5.33%	15.39%
52	10.23%	5.43%	15.66%
53	10.39%	5.52%	15.91%
54	10.53%	5.59%	16.12%
55	10.61%	5.64%	16.25%
56	10.68%	5.68%	16.36%
57	10.65%	5.66%	16.31%
58	10.47%	5.56%	16.03%
59	9.91%	5.25%	15.16%
60 and over	9.91%	5.25%	15.16%

Administrative Expense: 0.46% of payroll added to Basic rates.

COLA Loading: 55.56% applied to Basic rates prior to adjustment for administrative expenses.

**\*NOTE:** The rate should be applied to all compensation up to the annual IRC 401(a)(17) compensation limit.

## Exhibit F

### GENERAL Cost Group #4 Non-PEPRA Member Contribution Rates

Membership Date before January 1, 2013

**Effective 7/1/18 - 6/30/19**

**Expressed as a Percentage of Monthly Payroll\***

<u>Entry Age</u>	<u>Basic not in Social</u>	<u>Basic in Social</u>	<u>COLA</u>	<u>Total not in Social</u>	<u>Total in Social</u>
	<u>Security</u>	<u>Security*</u>		<u>Security</u>	<u>Security*</u>
15	5.37%	5.38%	2.69%	8.06%	8.07%
16	5.45%	5.46%	2.73%	8.18%	8.19%
17	5.54%	5.55%	2.78%	8.32%	8.33%
18	5.63%	5.64%	2.83%	8.46%	8.47%
19	5.72%	5.73%	2.88%	8.60%	8.61%
20	5.81%	5.82%	2.93%	8.74%	8.75%
21	5.91%	5.92%	2.98%	8.89%	8.90%
22	6.00%	6.01%	3.03%	9.03%	9.04%
23	6.10%	6.11%	3.08%	9.18%	9.19%
24	6.20%	6.21%	3.14%	9.34%	9.35%
25	6.30%	6.31%	3.19%	9.49%	9.50%
26	6.40%	6.41%	3.25%	9.65%	9.66%
27	6.50%	6.51%	3.30%	9.80%	9.81%
28	6.61%	6.62%	3.36%	9.97%	9.98%
29	6.71%	6.72%	3.42%	10.13%	10.14%
30	6.82%	6.83%	3.48%	10.30%	10.31%
31	6.93%	6.94%	3.54%	10.47%	10.48%
32	7.04%	7.05%	3.60%	10.64%	10.65%
33	7.16%	7.17%	3.66%	10.82%	10.83%
34	7.27%	7.28%	3.72%	10.99%	11.00%
35	7.39%	7.40%	3.79%	11.18%	11.19%
36	7.51%	7.52%	3.86%	11.37%	11.38%
37	7.63%	7.64%	3.92%	11.55%	11.56%
38	7.76%	7.77%	3.99%	11.75%	11.76%
39	7.89%	7.90%	4.06%	11.95%	11.96%
40	8.02%	8.03%	4.13%	12.15%	12.16%
41	8.15%	8.16%	4.21%	12.36%	12.37%
42	8.29%	8.30%	4.28%	12.57%	12.58%
43	8.44%	8.45%	4.36%	12.80%	12.81%
44	8.58%	8.59%	4.44%	13.02%	13.03%
45	8.74%	8.75%	4.53%	13.27%	13.28%
46	8.89%	8.90%	4.61%	13.50%	13.51%
47	9.04%	9.05%	4.69%	13.73%	13.74%
48	9.18%	9.19%	4.77%	13.95%	13.96%
49	9.34%	9.35%	4.86%	14.20%	14.21%
50	9.49%	9.50%	4.94%	14.43%	14.44%
51	9.66%	9.67%	5.03%	14.69%	14.70%
52	9.83%	9.84%	5.12%	14.95%	14.96%
53	9.98%	9.99%	5.21%	15.19%	15.20%
54	10.12%	10.13%	5.28%	15.40%	15.41%
55	10.24%	10.25%	5.35%	15.59%	15.60%
56	10.35%	10.36%	5.41%	15.76%	15.77%
57	10.33%	10.34%	5.40%	15.73%	15.74%
58	10.18%	10.19%	5.32%	15.50%	15.51%
59	9.78%	9.79%	5.10%	14.88%	14.89%
60 and over	9.78%	9.79%	5.10%	14.88%	14.89%

Administrative Expense: 0.46% of payroll added to Basic rates.

COLA Loading: 54.69% applied to Basic rates prior to adjustment for administrative expenses.

**\*NOTE:** For members in Social Security, the rate should only be applied to monthly compensation in excess of \$116.67.  
The rate should be applied to compensation up to the annual IRC 401(a)(17) compensation limit.

## Exhibit G

### GENERAL Cost Group #5 Non-PEPRA Member Contribution Rates

#### Membership Date before January 1, 2013

**Effective 7/1/18 - 6/30/19**

**Expressed as a Percentage of Monthly Payroll\***

<u>Entry Age</u>	<u>Basic</u>	<u>COLA</u>	<u>Total</u>
15	5.39%	2.64%	8.03%
16	5.48%	2.69%	8.17%
17	5.57%	2.74%	8.31%
18	5.66%	2.79%	8.45%
19	5.75%	2.84%	8.59%
20	5.84%	2.88%	8.72%
21	5.93%	2.93%	8.86%
22	6.03%	2.99%	9.02%
23	6.13%	3.04%	9.17%
24	6.23%	3.09%	9.32%
25	6.33%	3.15%	9.48%
26	6.43%	3.20%	9.63%
27	6.53%	3.25%	9.78%
28	6.63%	3.31%	9.94%
29	6.74%	3.37%	10.11%
30	6.85%	3.43%	10.28%
31	6.96%	3.49%	10.45%
32	7.07%	3.54%	10.61%
33	7.19%	3.61%	10.80%
34	7.30%	3.67%	10.97%
35	7.42%	3.73%	11.15%
36	7.54%	3.80%	11.34%
37	7.67%	3.87%	11.54%
38	7.79%	3.93%	11.72%
39	7.92%	4.00%	11.92%
40	8.06%	4.08%	12.14%
41	8.19%	4.14%	12.33%
42	8.33%	4.22%	12.55%
43	8.48%	4.30%	12.78%
44	8.62%	4.38%	13.00%
45	8.77%	4.46%	13.23%
46	8.93%	4.54%	13.47%
47	9.08%	4.62%	13.70%
48	9.22%	4.70%	13.92%
49	9.37%	4.78%	14.15%
50	9.53%	4.86%	14.39%
51	9.71%	4.96%	14.67%
52	9.87%	5.05%	14.92%
53	10.02%	5.13%	15.15%
54	10.17%	5.21%	15.38%
55	10.27%	5.26%	15.53%
56	10.34%	5.30%	15.64%
57	10.31%	5.28%	15.59%
58	10.15%	5.20%	15.35%
59	10.03%	5.13%	15.16%
60 and over	10.03%	5.13%	15.16%

Administrative Expense: 0.46% of payroll added to Basic rates.

COLA Loading: 53.62% applied to Basic rates prior to adjustment for administrative expenses.

<b>*NOTE: The rate should be applied to all compensation up to the annual IRC 401(a)(17) compensation limit.</b>
--

## Exhibit H

### GENERAL Cost Group #6 Non-PEPRA Member Contribution Rates

Membership Date before January 1, 2013

**Effective 7/1/18 - 6/30/19**

**Expressed as a Percentage of Monthly Payroll\***

<u>Entry Age</u>	<u>Basic not in Social</u>	<u>Basic in Social</u>	<u>COLA</u>	<u>Total not in Social</u>	<u>Total in Social</u>
	<u>Security</u>	<u>Security*</u>		<u>Security</u>	<u>Security*</u>
15	6.12%	6.13%	2.57%	8.69%	8.70%
16	6.22%	6.23%	2.61%	8.83%	8.84%
17	6.32%	6.33%	2.66%	8.98%	8.99%
18	6.42%	6.43%	2.70%	9.12%	9.13%
19	6.53%	6.54%	2.75%	9.28%	9.29%
20	6.63%	6.64%	2.80%	9.43%	9.44%
21	6.74%	6.75%	2.85%	9.59%	9.60%
22	6.85%	6.86%	2.90%	9.75%	9.76%
23	6.96%	6.97%	2.95%	9.91%	9.92%
24	7.07%	7.08%	3.00%	10.07%	10.08%
25	7.19%	7.20%	3.05%	10.24%	10.25%
26	7.30%	7.31%	3.10%	10.40%	10.41%
27	7.42%	7.43%	3.15%	10.57%	10.58%
28	7.54%	7.55%	3.21%	10.75%	10.76%
29	7.66%	7.67%	3.26%	10.92%	10.93%
30	7.79%	7.80%	3.32%	11.11%	11.12%
31	7.92%	7.93%	3.38%	11.30%	11.31%
32	8.05%	8.06%	3.44%	11.49%	11.50%
33	8.18%	8.19%	3.50%	11.68%	11.69%
34	8.31%	8.32%	3.56%	11.87%	11.88%
35	8.45%	8.46%	3.62%	12.07%	12.08%
36	8.60%	8.61%	3.69%	12.29%	12.30%
37	8.74%	8.75%	3.75%	12.49%	12.50%
38	8.89%	8.90%	3.82%	12.71%	12.72%
39	9.05%	9.06%	3.89%	12.94%	12.95%
40	9.22%	9.23%	3.97%	13.19%	13.20%
41	9.37%	9.38%	4.04%	13.41%	13.42%
42	9.53%	9.54%	4.11%	13.64%	13.65%
43	9.68%	9.69%	4.18%	13.86%	13.87%
44	9.85%	9.86%	4.26%	14.11%	14.12%
45	10.01%	10.02%	4.33%	14.34%	14.35%
46	10.18%	10.19%	4.41%	14.59%	14.60%
47	10.37%	10.38%	4.49%	14.86%	14.87%
48	10.52%	10.53%	4.56%	15.08%	15.09%
49	10.68%	10.69%	4.63%	15.31%	15.32%
50	10.82%	10.83%	4.70%	15.52%	15.53%
51	10.89%	10.90%	4.73%	15.62%	15.63%
52	10.86%	10.87%	4.71%	15.57%	15.58%
53	10.70%	10.71%	4.64%	15.34%	15.35%
54	10.27%	10.28%	4.45%	14.72%	14.73%
55	10.27%	10.28%	4.45%	14.72%	14.73%
56	10.27%	10.28%	4.45%	14.72%	14.73%
57	10.27%	10.28%	4.45%	14.72%	14.73%
58	10.27%	10.28%	4.45%	14.72%	14.73%
59	10.27%	10.28%	4.45%	14.72%	14.73%
60 and over	10.27%	10.28%	4.45%	14.72%	14.73%

Administrative Expense: 0.46% of payroll added to Basic rates.

COLA Loading: 45.33% applied to Basic rates prior to adjustment for administrative expenses.

**\*NOTE:** For members in Social Security, the rate should only be applied to monthly compensation in excess of \$116.67.  
The rate should be applied to compensation up to the annual IRC 401(a)(17) compensation limit.

**Exhibit I**  
**SAFETY Cost Group #7 Non-PEPRA Member Contribution Rates**  
**Membership Date before January 1, 2013**  
**Effective 7/1/18 - 6/30/19**  
**Expressed as a Percentage of Monthly Payroll\***

<u>Entry Age</u>	<u>Basic</u>	<u>COLA</u>	<u>Total</u>
15	9.04%	6.41%	15.45%
16	9.04%	6.41%	15.45%
17	9.04%	6.41%	15.45%
18	9.04%	6.41%	15.45%
19	9.04%	6.41%	15.45%
20	9.04%	6.41%	15.45%
21	9.04%	6.41%	15.45%
22	9.18%	6.52%	15.70%
23	9.33%	6.63%	15.96%
24	9.49%	6.75%	16.24%
25	9.64%	6.86%	16.50%
26	9.80%	6.98%	16.78%
27	9.96%	7.10%	17.06%
28	10.13%	7.23%	17.36%
29	10.30%	7.35%	17.65%
30	10.47%	7.48%	17.95%
31	10.64%	7.61%	18.25%
32	10.83%	7.75%	18.58%
33	11.02%	7.89%	18.91%
34	11.21%	8.03%	19.24%
35	11.41%	8.18%	19.59%
36	11.61%	8.33%	19.94%
37	11.80%	8.47%	20.27%
38	12.00%	8.62%	20.62%
39	12.21%	8.78%	20.99%
40	12.43%	8.94%	21.37%
41	12.66%	9.12%	21.78%
42	12.89%	9.29%	22.18%
43	13.18%	9.50%	22.68%
44	13.41%	9.68%	23.09%
45	13.61%	9.83%	23.44%
46	13.65%	9.86%	23.51%
47	13.59%	9.81%	23.40%
48	13.38%	9.65%	23.03%
49	13.00%	9.37%	22.37%
50	13.00%	9.37%	22.37%
51	13.00%	9.37%	22.37%
52	13.00%	9.37%	22.37%
53	13.00%	9.37%	22.37%
54	13.00%	9.37%	22.37%
55	13.00%	9.37%	22.37%
56	13.00%	9.37%	22.37%
57	13.00%	9.37%	22.37%
58	13.00%	9.37%	22.37%
59	13.00%	9.37%	22.37%
60 and over	13.00%	9.37%	22.37%

Administrative Expense: 0.46% of payroll added to Basic rates.

COLA Loading: 74.72% applied to Basic rates prior to adjustment for administrative expenses.

**\*NOTE: The rate should be applied to all compensation up to the annual IRC 401(a)(17) compensation limit.**

**Exhibit J**  
**SAFETY Cost Group #8 Non-PEPRA Member Contribution Rates**  
**Membership Date before January 1, 2013**  
**Effective 7/1/18 - 6/30/19**  
**Expressed as a Percentage of Monthly Payroll\***

<u>Entry Age</u>	<u>Basic</u>	<u>COLA</u>	<u>Total</u>
15	9.02%	6.51%	15.53%
16	9.02%	6.51%	15.53%
17	9.02%	6.51%	15.53%
18	9.02%	6.51%	15.53%
19	9.02%	6.51%	15.53%
20	9.02%	6.51%	15.53%
21	9.02%	6.51%	15.53%
22	9.16%	6.61%	15.77%
23	9.31%	6.73%	16.04%
24	9.47%	6.85%	16.32%
25	9.62%	6.96%	16.58%
26	9.78%	7.09%	16.87%
27	9.94%	7.21%	17.15%
28	10.11%	7.34%	17.45%
29	10.27%	7.46%	17.73%
30	10.45%	7.59%	18.04%
31	10.63%	7.73%	18.36%
32	10.81%	7.87%	18.68%
33	10.99%	8.00%	18.99%
34	11.19%	8.16%	19.35%
35	11.38%	8.30%	19.68%
36	11.58%	8.45%	20.03%
37	11.78%	8.61%	20.39%
38	11.98%	8.76%	20.74%
39	12.19%	8.92%	21.11%
40	12.40%	9.08%	21.48%
41	12.62%	9.24%	21.86%
42	12.87%	9.43%	22.30%
43	13.15%	9.65%	22.80%
44	13.41%	9.84%	23.25%
45	13.57%	9.97%	23.54%
46	13.60%	9.99%	23.59%
47	13.51%	9.92%	23.43%
48	13.40%	9.84%	23.24%
49	13.03%	9.56%	22.59%
50	13.03%	9.56%	22.59%
51	13.03%	9.56%	22.59%
52	13.03%	9.56%	22.59%
53	13.03%	9.56%	22.59%
54	13.03%	9.56%	22.59%
55	13.03%	9.56%	22.59%
56	13.03%	9.56%	22.59%
57	13.03%	9.56%	22.59%
58	13.03%	9.56%	22.59%
59	13.03%	9.56%	22.59%
60 and over	13.03%	9.56%	22.59%

Administrative Expense: 0.46% of payroll added to Basic rates.

COLA Loading: 76.02% applied to Basic rates prior to adjustment for administrative expenses.

**\*NOTE: The rate should be applied to all compensation up to the annual IRC 401(a)(17) compensation limit.**

**Exhibit K**  
**SAFETY Cost Group #9 Non-PEPRA Member Contribution Rates**  
**Membership Date before January 1, 2013**  
**Effective 7/1/18 - 6/30/19**  
**Expressed as a Percentage of Monthly Payroll\***

<u>Entry Age</u>	<u>Basic</u>	<u>COLA</u>	<u>Total</u>
15	8.63%	3.92%	12.55%
16	8.63%	3.92%	12.55%
17	8.63%	3.92%	12.55%
18	8.63%	3.92%	12.55%
19	8.63%	3.92%	12.55%
20	8.63%	3.92%	12.55%
21	8.63%	3.92%	12.55%
22	8.77%	3.99%	12.76%
23	8.91%	4.06%	12.97%
24	9.06%	4.13%	13.19%
25	9.21%	4.20%	13.41%
26	9.36%	4.27%	13.63%
27	9.51%	4.35%	13.86%
28	9.67%	4.42%	14.09%
29	9.83%	4.50%	14.33%
30	10.00%	4.58%	14.58%
31	10.17%	4.66%	14.83%
32	10.34%	4.75%	15.09%
33	10.52%	4.83%	15.35%
34	10.70%	4.92%	15.62%
35	10.88%	5.00%	15.88%
36	11.06%	5.09%	16.15%
37	11.24%	5.18%	16.42%
38	11.44%	5.27%	16.71%
39	11.63%	5.36%	16.99%
40	11.82%	5.46%	17.28%
41	12.04%	5.56%	17.60%
42	12.26%	5.67%	17.93%
43	12.44%	5.75%	18.19%
44	12.52%	5.79%	18.31%
45	12.50%	5.78%	18.28%
46	12.42%	5.74%	18.16%
47	12.16%	5.62%	17.78%
48	12.54%	5.80%	18.34%
49	13.13%	6.09%	19.22%
50	13.13%	6.09%	19.22%
51	13.13%	6.09%	19.22%
52	13.13%	6.09%	19.22%
53	13.13%	6.09%	19.22%
54	13.13%	6.09%	19.22%
55	13.13%	6.09%	19.22%
56	13.13%	6.09%	19.22%
57	13.13%	6.09%	19.22%
58	13.13%	6.09%	19.22%
59	13.13%	6.09%	19.22%
60 and over	13.13%	6.09%	19.22%

Administrative Expense: 0.46% of payroll added to Basic rates.

COLA Loading: 48.03% applied to Basic rates prior to adjustment for administrative expenses.

**\*NOTE: The rate should be applied to all compensation up to the annual IRC 401(a)(17) compensation limit.**



**Exhibit L**  
**SAFETY Cost Group #10 Non-PEPRA Member Contribution Rates**  
**Membership Date before January 1, 2013**  
**Effective 7/1/18 - 6/30/19**  
**Expressed as a Percentage of Monthly Payroll\***

<u>Entry Age</u>	<u>Basic</u>	<u>COLA</u>	<u>Total</u>
15	9.04%	6.31%	15.35%
16	9.04%	6.31%	15.35%
17	9.04%	6.31%	15.35%
18	9.04%	6.31%	15.35%
19	9.04%	6.31%	15.35%
20	9.04%	6.31%	15.35%
21	9.04%	6.31%	15.35%
22	9.18%	6.41%	15.59%
23	9.33%	6.52%	15.85%
24	9.49%	6.64%	16.13%
25	9.64%	6.75%	16.39%
26	9.80%	6.87%	16.67%
27	9.96%	6.98%	16.94%
28	10.13%	7.11%	17.24%
29	10.30%	7.23%	17.53%
30	10.47%	7.36%	17.83%
31	10.64%	7.48%	18.12%
32	10.83%	7.62%	18.45%
33	11.02%	7.76%	18.78%
34	11.21%	7.90%	19.11%
35	11.41%	8.05%	19.46%
36	11.61%	8.20%	19.81%
37	11.80%	8.34%	20.14%
38	12.00%	8.48%	20.48%
39	12.21%	8.64%	20.85%
40	12.43%	8.80%	21.23%
41	12.66%	8.97%	21.63%
42	12.89%	9.14%	22.03%
43	13.18%	9.35%	22.53%
44	13.41%	9.52%	22.93%
45	13.61%	9.67%	23.28%
46	13.65%	9.70%	23.35%
47	13.59%	9.65%	23.24%
48	13.38%	9.50%	22.88%
49	13.00%	9.22%	22.22%
50	13.00%	9.22%	22.22%
51	13.00%	9.22%	22.22%
52	13.00%	9.22%	22.22%
53	13.00%	9.22%	22.22%
54	13.00%	9.22%	22.22%
55	13.00%	9.22%	22.22%
56	13.00%	9.22%	22.22%
57	13.00%	9.22%	22.22%
58	13.00%	9.22%	22.22%
59	13.00%	9.22%	22.22%
60 and over	13.00%	9.22%	22.22%

Administrative Expense: 0.46% of payroll added to Basic rates.

COLA Loading: 73.51% applied to Basic rates prior to adjustment for administrative expenses.

**\*NOTE: The rate should be applied to all compensation up to the annual IRC 401(a)(17) compensation limit.**

**Exhibit M**  
**SAFETY Cost Group #11 Non-PEPRA Member Contribution Rates**  
**Membership Date before January 1, 2013**  
**Effective 7/1/18 - 6/30/19**  
**Expressed as a Percentage of Monthly Payroll\***

<u>Entry Age</u>	<u>Basic</u>	<u>COLA</u>	<u>Total</u>
15	9.16%	6.79%	15.95%
16	9.16%	6.79%	15.95%
17	9.16%	6.79%	15.95%
18	9.16%	6.79%	15.95%
19	9.16%	6.79%	15.95%
20	9.16%	6.79%	15.95%
21	9.16%	6.79%	15.95%
22	9.31%	6.91%	16.22%
23	9.46%	7.02%	16.48%
24	9.62%	7.15%	16.77%
25	9.77%	7.27%	17.04%
26	9.93%	7.39%	17.32%
27	10.10%	7.52%	17.62%
28	10.27%	7.66%	17.93%
29	10.44%	7.79%	18.23%
30	10.61%	7.92%	18.53%
31	10.79%	8.06%	18.85%
32	10.98%	8.21%	19.19%
33	11.16%	8.35%	19.51%
34	11.36%	8.51%	19.87%
35	11.56%	8.66%	20.22%
36	11.76%	8.82%	20.58%
37	11.96%	8.97%	20.93%
38	12.16%	9.13%	21.29%
39	12.37%	9.29%	21.66%
40	12.58%	9.46%	22.04%
41	12.82%	9.65%	22.47%
42	13.06%	9.83%	22.89%
43	13.33%	10.04%	23.37%
44	13.59%	10.25%	23.84%
45	13.75%	10.37%	24.12%
46	13.79%	10.40%	24.19%
47	13.70%	10.33%	24.03%
48	13.43%	10.12%	23.55%
49	12.82%	9.65%	22.47%
50	12.82%	9.65%	22.47%
51	12.82%	9.65%	22.47%
52	12.82%	9.65%	22.47%
53	12.82%	9.65%	22.47%
54	12.82%	9.65%	22.47%
55	12.82%	9.65%	22.47%
56	12.82%	9.65%	22.47%
57	12.82%	9.65%	22.47%
58	12.82%	9.65%	22.47%
59	12.82%	9.65%	22.47%
60 and over	12.82%	9.65%	22.47%

Administrative Expense: 0.46% of payroll added to Basic rates.

COLA Loading: 78.04% applied to Basic rates prior to adjustment for administrative expenses.

**\*NOTE: The rate should be applied to all compensation up to the annual IRC 401(a)(17) compensation limit.**

**Exhibit N**  
**SAFETY Cost Group #12 Non-PEPRA Member Contribution Rates**  
**Membership Date before January 1, 2013**  
**Effective 7/1/18 - 6/30/19**  
**Expressed as a Percentage of Monthly Payroll\***

<u>Entry Age</u>	<u>Basic</u>	<u>COLA</u>	<u>Total</u>
15	9.16%	4.74%	13.90%
16	9.16%	4.74%	13.90%
17	9.16%	4.74%	13.90%
18	9.16%	4.74%	13.90%
19	9.16%	4.74%	13.90%
20	9.16%	4.74%	13.90%
21	9.16%	4.74%	13.90%
22	9.31%	4.82%	14.13%
23	9.46%	4.90%	14.36%
24	9.62%	4.99%	14.61%
25	9.77%	5.07%	14.84%
26	9.93%	5.16%	15.09%
27	10.10%	5.25%	15.35%
28	10.27%	5.34%	15.61%
29	10.44%	5.43%	15.87%
30	10.61%	5.53%	16.14%
31	10.79%	5.62%	16.41%
32	10.98%	5.73%	16.71%
33	11.16%	5.83%	16.99%
34	11.36%	5.93%	17.29%
35	11.56%	6.04%	17.60%
36	11.76%	6.15%	17.91%
37	11.96%	6.26%	18.22%
38	12.16%	6.37%	18.53%
39	12.37%	6.48%	18.85%
40	12.58%	6.60%	19.18%
41	12.82%	6.73%	19.55%
42	13.06%	6.86%	19.92%
43	13.33%	7.01%	20.34%
44	13.59%	7.15%	20.74%
45	13.75%	7.24%	20.99%
46	13.79%	7.26%	21.05%
47	13.70%	7.21%	20.91%
48	13.43%	7.06%	20.49%
49	12.82%	6.73%	19.55%
50	12.82%	6.73%	19.55%
51	12.82%	6.73%	19.55%
52	12.82%	6.73%	19.55%
53	12.82%	6.73%	19.55%
54	12.82%	6.73%	19.55%
55	12.82%	6.73%	19.55%
56	12.82%	6.73%	19.55%
57	12.82%	6.73%	19.55%
58	12.82%	6.73%	19.55%
59	12.82%	6.73%	19.55%
60 and over	12.82%	6.73%	19.55%

Administrative Expense: 0.46% of payroll added to Basic rates.

COLA Loading: 54.44% applied to Basic rates prior to adjustment for administrative expenses.

**\*NOTE: The rate should be applied to all compensation up to the annual IRC 401(a)(17) compensation limit.**

**Exhibit O**  
**PEPRA Tiers Member Contribution Rates**  
**Membership Date on or after January 1, 2013**  
**Effective 7/1/18 - 6/30/19**  
**Expressed as a Percentage of Monthly Payroll\***

<b><u>General Tiers</u></b>	<b><u>Basic</u></b>	<b><u>COLA</u></b>	<b><u>Total</u></b>
Cost Group #1 – PEPRA Tier 4 (2% COLA)	8.83%	2.04%	10.87%
Cost Group #1 – PEPRA Tier 4 (3% COLA)	8.67%	2.94%	11.61%
Cost Group #2 - PEPRA Tier 5 (2% COLA)	8.25%	1.89%	10.14%
Cost Group #2 - PEPRA Tier 5 (3%/4% COLA)	8.39%	2.78%	11.17%
Cost Group #3 - PEPRA Tier 4 (3% COLA)	8.32%	2.88%	11.20%
Cost Group #4 - PEPRA Tier 4 (3% COLA)	9.21%	3.13%	12.34%
Cost Group #5 - PEPRA Tier 4 (2% COLA)	9.25%	2.15%	11.40%
Cost Group #5 - PEPRA Tier 4 (3% COLA)	11.24%	3.86%	15.10%
Cost Group #6 - PEPRA Tier 4 (3% COLA)	11.96%	3.85%	15.81%

<b><u>Safety Tiers</u></b>	<b><u>Basic</u></b>	<b><u>COLA</u></b>	<b><u>Total</u></b>
Cost Group #7 - PEPRA Tier D	15.04%	6.19%	21.23%
Cost Group #8 - PEPRA Tier D	13.67%	5.77%	19.44%
Cost Group #8 - PEPRA Tier E	13.01%	3.67%	16.68%
Cost Group #9 - PEPRA Tier E	13.72%	3.81%	17.53%
Cost Group #10 - PEPRA Tier D	13.29%	5.63%	18.92%
Cost Group #11 - PEPRA Tier D	13.28%	5.64%	18.92%
Cost Group #12 - PEPRA Tier D	11.92%	5.07%	16.99%

The Basic rates shown above also include an administrative expense load of 0.46% of payroll.

**\*NOTE:** The rate should be applied to all compensation (whether or not in Social Security) up to the applicable annual Gov. Code 7522.10(d) compensation limit.

## CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

### SUBVENTION

All rates are shown as a percent of payroll.

Employee contribution rates vary depending upon their tier and age at entry. To compute the exact subvention percent for each employee, do the following:

Employee rate – Decrease the employee's rate by the subvention percent (i.e. 25%, 50%, etc.).

Employer rate – Increase the employer's rate by a **percent** of the employee's decrease using the applicable refundability factor (found on Exhibits A and B):

#### **EXAMPLE FOR COST GROUP #3 LEGACY MEMBERS:**

If the subvention percent is 25%, and  
the employee's rate is 6.00%,

Employee rates should be decreased by 1.50% ( $25\% \times 6.00\%$ )  
The employer rate should be increased by 1.4382% ( $1.50\% \times 0.9588$ )

Please note that for PEPRA members, subvention is generally not permitted. The standard under Gov. Code §7522.30(a) is that employees pay at least 50 percent of normal costs and that employers not pay any of the required employee contribution, but there are some exceptions. Gov. Code §7522.30(f) allows the terms (regarding the employee's required contribution) of a contract, including a memorandum of understanding, that is in effect on January 1, 2013, to continue through the length of a contract. This means that it is possible that an employer will subvent a portion of a PEPRA member's required contribution until the expiration date of the current contract, so long as it has been determined that the contract has been impaired.

**CAUTION** – these rates are for employer **subvention** of up to one-half the member contribution under Gov. Code §31581.1, NOT employer **pick-up** of employee contribution rates. When an employer subvents, the contribution subvented is not placed in the member's account and is therefore not available to the member as a refund. For this reason, the employer pays the contribution at a discount (i.e. "Refundability Factor").

Employer **pick-ups** of employee contributions are those made under Gov. Code §31581.2 and Internal Revenue Code §414 (h)(2) for the sole purpose of deferring income tax. These contributions are added to the member's account, are available to the member as a refund and are considered by CCCERA as part of the member's compensation for retirement purposes.

### EMPLOYEE PAYMENT OF EMPLOYER COST

There are several reasons why the attached contribution rates may need to be adjusted to increase the employee portion including the following:

Gov. Code §31631 allows for members to pay all or part of the employer contributions.

Gov. Code §31639.95 allows for Safety members to pay a portion of the employer cost for the "3% at 50" enhanced benefit.

Gov. Code §7522.30(c) requires that an employee's contribution rate be at least equal to that of similarly situated employees.

Gov. Code §7522.30(e) allows the employee contributions to be more than one-half of the normal cost rate if the increase has been agreed to through the collective bargaining process.

If you need to increase the employee contribution rate for any reason, you will need to adjust both employee and employer rates as follows:

Employee rate – Increase the employee’s rate by the desired percent of payroll.

Employer rate – Decrease the employer’s rate by a **percent** of the cost-sharing percent of payroll using the applicable refundability factor:

**EXAMPLE FOR COST GROUP #11 LEGACY MEMBERS:**

If the required increase in the employee rate is 8.0%,

Employee rates should be increased by 8.0%.

The employer rate should be decreased by 7.736% ( $8.0\% \times 0.9670$ )

**PREPAYMENT DISCOUNT FACTOR FOR 2018-19**

Employer Contribution Prepayment Program & Discount Factor for 2018-19 is **0.9696**

If you are currently participating in the prepayment program and wish to continue, you do not need to do anything other than prepay the July 1, 2018 through June 30, 2019 contributions on or before July 31, 2018. If you wish to start participating, please contact the Accounting Division at the Retirement Office by March 31, 2018.

The discount factor is calculated assuming the prepayment will be received on July 31 in accordance with Gov. Code §31582(b) in lieu of 12 equal payments due at the end of each month in accordance with Gov. Code §31582(a). The discount factor for the fiscal year July 1, 2018 through June 30, 2019 will be **0.9696** based on the interest assumption of 7.00% per annum.

## **APPENDIX B**

### **OPEB CONTRIBUTION COSTS & UAAL**

**Rodeo-Hercules Fire District**  
**Actuarial Study of**  
**Retiree Health Liabilities Under GASB 74/75**  
**Valuation Date: June 30, 2017**  
**Measurement Date: June 30, 2017**

*Prepared by:*  
*Total Compensation Systems, Inc.*

*Date: March 19, 2018*



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**Rodeo-Hercules Fire District  
Actuarial Study of Retiree Health Liabilities**

**PART I: EXECUTIVE SUMMARY**

**A. Introduction**

Rodeo-Hercules Fire District engaged Total Compensation Systems, Inc. (TCS) to analyze liabilities associated with its current retiree health program as of June 30, 2017 (the measurement date). The numbers in this report are based on the assumption that they will first be used to determine accounting entries for the fiscal year ending June 30, 2017. If the report will first be used for a different fiscal year, the numbers may need to be adjusted accordingly.

This report does not reflect any cash benefits paid unless the retiree is required to provide proof that the cash benefits are used to reimburse the retiree's cost of health benefits. Costs and liabilities attributable to cash benefits paid to retirees are reportable under applicable Governmental Accounting Standards Board (GASB) Standards.

This actuarial study is intended to serve the following purposes:

- To provide information to enable Rodeo-Hercules Fire District to manage the costs and liabilities associated with its retiree health benefits.
- To provide information to enable Rodeo-Hercules Fire District to communicate the financial implications of retiree health benefits to internal financial staff, the Board, employee groups and other affected parties.
- To provide information needed to comply with Governmental Accounting Standards Board Accounting Standards 74 and 75 related to "other postemployment benefits" (OPEB's).

Because this report was prepared in compliance with GASB 74 and 75, Rodeo-Hercules Fire District should not use this report for any other purpose without discussion with TCS. This means that any discussions with employee groups, governing Boards, etc. should be restricted to the implications of GASB 74 and 75 compliance.

This actuarial report includes several estimates for Rodeo-Hercules Fire District's retiree health program. In addition to the tables included in this report, we also performed cash flow adequacy tests as required under Actuarial Standard of Practice 6 (ASOP 6). Our cash flow adequacy testing covers a twenty-year period. We would be happy to make this cash flow adequacy test available to Rodeo-Hercules Fire District in spreadsheet format upon request.

We calculated the following estimates separately for active employees and retirees. As requested, we also separated results by the following employee classifications: Fire Safety and General Employees. We estimated the following:

- the total liability created. (The actuarial present value of projected benefits or APVPBP)
- ten years of projected benefit payments.
- the "total OPEB liability (TOL)." (The TOL is the portion of the APVPBP attributable to employees' service prior to the measurement date.)

## Total Compensation Systems, Inc.

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- the “net OPEB liability” (NOL). For plans funded through a trust, this represents the unfunded portion of the liability.
- the service cost (SC). This is the value of OPEB benefits earned for one year of service.
- deferred inflows and outflows of resources attributable to the OPEB plan.
- “OPEB expense.” This is the amount recognized in accrual basis financial statements as the current period expense. The OPEB expense includes service cost, interest and certain changes in the OPEB liability, adjusted to reflect deferred inflows and outflows. This amount may need to be adjusted to reflect any contributions received after the Measurement Date.
- Amounts to support financial statement Note Disclosures and Required Supplementary Information (RSI) schedules.

We summarized the data used to perform this study in Appendix A. No effort was made to verify this information beyond brief tests for reasonableness and consistency.

All cost and liability figures contained in this study are estimates of future results. Future results can vary dramatically and the accuracy of estimates contained in this report depends on the actuarial assumptions used. Service costs and liabilities could easily vary by 10 - 20% or more from estimates contained in this report.

### **B. General Findings**

We estimate the "pay-as-you-go" cost of providing retiree health benefits in the year beginning July 1, 2017 to be \$317,829 (see Section IV.A.). The “pay-as-you-go” cost is the cost of benefits for current retirees.

For current employees, the value of benefits "accrued" in the year beginning July 1, 2017 (the service cost) is \$105,452. This service cost would increase each year based on covered payroll. Had Rodeo-Hercules Fire District begun accruing retiree health benefits when each current employee and retiree was hired, a substantial liability would have accumulated. We estimate the amount that would have accumulated to be \$5,386,176. This amount is called the "Total OPEB Liability" (TOL). Rodeo-Hercules Fire District has set aside funds to cover retiree health liabilities in a GASB 75 qualifying trust. The Fiduciary Net Position of this trust at June 30, 2017 was \$1,688,993. This leaves a Net OPEB Liability (NOL) Of \$3,697,183.

Based on the information we were provided, the OPEB Expense for the fiscal year ending June 30, 2017 is \$262,385. As noted in this report adjustments may be needed – particularly if the reporting date is not the same as the measurement date.

We based all of the above estimates on employees as of June, 2017. Over time, liabilities and cash flow will vary based on the number and demographic characteristics of employees and retirees.

# Total Compensation Systems, Inc.

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## C. Description of Retiree Benefits

Following is a description of the current retiree benefit plan:

	<i>Safety</i>	<i>Miscellaneous</i>
Benefit types provided	Medical only	Medical only
Duration of Benefits	Lifetime	Lifetime
Required Service	Retirement	Retirement
Minimum Age	Retirement	Retirement
Dependent Coverage	All eligible	All eligible
District Contribution %	100%	100%
District Cap	Kaiser Bay Area Basic Rate	Kaiser Bay Area Basic Rate

## D. Recommendations

It is outside the scope of this report to make specific recommendations of actions Rodeo-Hercules Fire District should take to manage the liability created by the current retiree health program. Total Compensation Systems, Inc. can assist in identifying and evaluating options once this report has been studied. The following recommendations are intended only to allow the District to get more information from this and future studies. Because we have not conducted a comprehensive administrative audit of Rodeo-Hercules Fire District's practices, it is possible that Rodeo-Hercules Fire District is already complying with some or all of our recommendations.

- We recommend that Rodeo-Hercules Fire District maintain an inventory all benefits and services provided to retirees – whether contractually or not and whether retiree-paid or not. For each, Rodeo-Hercules Fire District should determine whether the benefit is material and subject to GASB 74 and/or 75.
- We recommend that Rodeo-Hercules Fire District conduct a study whenever events or contemplated actions significantly affect present or future liabilities, but no less frequently than every two years, as required under GASB 74/75.
- Under GASB 75, it is important to isolate the cost of retiree health benefits. Rodeo-Hercules Fire District should have all premiums, claims and expenses for retirees separated from active employee premiums, claims, expenses, etc. To the extent any retiree benefits are made available to retirees over the age of 65 – *even on a retiree-pay-all basis* – all premiums, claims and expenses for post-65 retiree coverage should be segregated from those for pre-65 coverage. Furthermore, Rodeo-Hercules Fire District should arrange for the rates or prices of all retiree benefits to be set on what is expected to be a self-sustaining basis.
- Rodeo-Hercules Fire District should establish a way of designating employees as eligible or ineligible for future OPEB benefits. Ineligible employees can include those in ineligible job classes; those hired after a designated date restricting eligibility; those who, due to their age at hire cannot qualify for District-paid OPEB benefits; employees who exceed the termination age for OPEB benefits, etc.

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- Several assumptions were made in estimating costs and liabilities under Rodeo-Hercules Fire District's retiree health program. Further studies may be desired to validate any assumptions where there is any doubt that the assumption is appropriate. (See Appendices B and C for a list of assumptions and concerns.) For example, Rodeo-Hercules Fire District should maintain a retiree database that includes – in addition to date of birth, gender and employee classification – retirement date and (if applicable) dependent date of birth, relationship and gender. It will also be helpful for Rodeo-Hercules Fire District to maintain employment termination information – namely, the number of OPEB-eligible employees in each employee class that terminate employment each year for reasons other than death, disability or retirement.

Respectfully submitted,



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## PART II: BACKGROUND

### A. Summary

Accounting principles provide that the cost of retiree benefits should be “accrued” over employees' working lifetime. For this reason, the Governmental Accounting Standards Board (GASB) issued in June of 2015 Accounting Standards 74 and 75 for retiree health benefits. These standards apply to all public employers that pay any part of the cost of retiree health benefits for current or future retirees (including early retirees), whether they pay directly or indirectly (via an “implicit rate subsidy”),

### B. Actuarial Accrual

To actuarially accrue retiree health benefits requires determining the amount to expense each year so that the liability accumulated at retirement is, on average, sufficient (with interest) to cover all retiree health expenditures without the need for additional expenses. There are many different ways to determine the annual accrual amount. The calculation method used is called an “actuarial cost method.”

The actuarial cost method mandated by GASB 75 is the “entry age actuarial cost method”. Under this method, there are two components of actuarial cost – a “service cost” (SC) and the “Total OPEB Liability” (TOL). GASB 75 allows certain changes in the TOL to be deferred (i.e. deferred inflows and outflows of resources).

The service cost can be thought of as the value of the benefit earned each year if benefits are accrued during the working lifetime of employees. Under the entry age actuarial cost method, the actuary determines the annual amount needing to be expensed from hire until retirement to fully accrue the cost of retiree health benefits. This amount is the service cost. Under GASB 75, the service cost is calculated to be a level percentage of each employee’s projected pay.

The service cost is determined using several key assumptions:

- The current *cost of retiree health benefits* (often varying by age, Medicare status and/or dependent coverage). The higher the current cost of retiree benefits, the higher the service cost.
- The “*trend*” rate at which retiree health benefits are expected to increase over time. A higher trend rate increases the service cost. A “cap” on District contributions can reduce trend to zero once the cap is reached thereby dramatically reducing service costs.
- *Mortality rates* varying by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.
- *Employment termination rates* have the same effect as mortality inasmuch as higher termination rates reduce service costs. Employment termination can vary considerably between public agencies.
- The *service requirement* reflects years of service required to earn full or partial retiree benefits. While a longer service requirement reduces costs, cost reductions are not usually substantial unless the service period exceeds 20 years of service.

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- **Retirement rates** determine what proportion of employees retire at each age (assuming employees reach the requisite length of service). Retirement rates often vary by employee classification and implicitly reflect the minimum retirement age required for eligibility. Retirement rates also depend on the amount of pension benefits available. Higher retirement rates increase service costs but, except for differences in minimum retirement age, retirement rates tend to be consistent between public agencies for each employee type.
- **Participation rates** indicate what proportion of retirees are expected to elect retiree health benefits if a significant retiree contribution is required. Higher participation rates increase costs.
- The **discount rate** estimates investment earnings for assets earmarked to cover retiree health benefit liabilities. The discount rate depends on the nature of underlying assets for funded plans. The rate used for a funded plan is the real rate of return expected for plan assets plus long term inflation assumption. For an unfunded plan, the discount rate is based on an index of 20 year General Obligation municipal bonds. For partially funded plans, the discount rate is a blend of the funded and unfunded rates.

The assumptions listed above are not exhaustive, but are the most common assumptions used in actuarial cost calculations. If all actuarial assumptions are exactly met and an employer expensed the service cost every year for all past and current employees and retirees, a sizeable liability would have accumulated (after adding interest and subtracting retiree benefit costs). The liability that would have accumulated is called the Total OPEB Liability (TOL). The excess of TOL over the value of plan assets is called the Net OPEB Liability (NOL). Under GASB 74 and 75, in order for assets to count toward offsetting the TOL, the assets have to be held in an irrevocable trust that is safe from creditors and can only be used to provide OPEB benefits to eligible participants.

The total OPEB liability (TOL) can arise in several ways - e.g., as a result of plan changes or changes in actuarial assumptions. TOL can also arise from actuarial gains and losses. Actuarial gains and losses result from differences between actuarial assumptions and actual plan experience.

Under GASB 74 and 75, a portion of actuarial gains and losses can be deferred as follows:

- Investment gains and losses can be deferred five years
- Experience gains and losses can be deferred over the expected average remaining service lives (EARSL) of plan participants. In calculating the EARSL, terminated employees (primarily retirees) are considered to have a working lifetime of zero. This often makes the EARSL quite short.
- Liability changes resulting from changes in economic and demographic assumptions are also deferred based on the average working lifetime
- Liability changes resulting from plan changes, for example, cannot be deferred.

## PART III: LIABILITIES AND COSTS FOR RETIREE BENEFITS

### A. Introduction.

We calculated the actuarial present value of projected benefit payments (APVPBP) separately for each employee. We determined eligibility for retiree benefits based on information supplied by Rodeo-Hercules Fire District. We then selected assumptions for the factors discussed in the above Section that, based on plan provisions and our training and experience, represent our best prediction of future plan experience. For each employee, we applied the appropriate factors based on the employee's age, sex, length of service, and employee classification.

We summarized actuarial assumptions used for this study in Appendix C.

### B. Liability for Retiree Benefits.

For each employee, we projected future premium costs using an assumed trend rate (see Appendix C). We multiplied each year's benefit payments by the probability that benefits will be paid; i.e. based on the probability that the employee is living, has not terminated employment, has retired and remains eligible. The probability that benefit will be paid is zero if the employee is not eligible. The employee is not eligible if s/he has not met minimum service, minimum age or, if applicable, maximum age requirements.

The product of each year's benefit payments and the probability the benefit will be paid equals the expected cost for that year. We discounted the expected cost for each year to the measurement date June 30, 2017 at 7% interest. Finally, we multiplied the above discounted expected cost figures by the probability that the retiree would elect coverage. A retiree may not elect to be covered if retiree health coverage is available less expensively from another source (e.g. Medicare risk contract) or the retiree is covered under a spouse's plan.

For any *current retirees*, the approach used was similar. The major difference is that the probability of payment for current retirees depends only on mortality and age restrictions (i.e. for retired employees the probability of being retired and of not being terminated are always both 1.0000).

We added the APVPBP for all employees to get the actuarial present value of total projected benefits (APVPBP). The APVPBP is the estimated present value of all future retiree health benefits for all **current** employees and retirees. The APVPBP is the amount on June 30, 2017 that, if all actuarial assumptions are exactly right, would be sufficient to expense all promised benefits until the last current employee or retiree dies or reaches the maximum eligibility age.



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### Actuarial Present Value of Projected Benefit Payments at June 30, 2017

	<i>Total</i>	<i>Fire Safety</i>	<i>General Employees</i>
Active: Pre-65	\$1,564,092	\$1,543,157	\$20,935
Post-65	\$1,096,391	\$1,069,022	\$27,369
Subtotal	\$2,660,483	\$2,612,179	\$48,304
Retiree: Pre-65	\$1,124,587	\$1,027,158	\$97,429
Post-65	\$2,464,996	\$2,362,267	\$102,729
Subtotal	\$3,589,583	\$3,389,425	\$200,158
Grand Total	\$6,250,066	\$6,001,604	\$248,462
Subtotal Pre-65	\$2,688,679	\$2,570,315	\$118,364
Subtotal Post-65	\$3,561,387	\$3,431,289	\$130,098

The APVPBP should be accrued over the working lifetime of employees. At any time much of it has not been "earned" by employees. The APVPBP is used to develop expense and liability figures. To do so, the APVPBP is divided into two parts: the portions attributable to service rendered prior to the measurement date (the past service liability or Total OPEB Liability (TOL) under GASB 74 and 75) and to service after the measurement date but prior to retirement (the future service liability).

The past service and future service liabilities are each accrued in a different way. We will start with the future service liability which is funded by the service cost.

### C. Cost to Prefund Retiree Benefits

#### 1. Service Cost

The average hire age for eligible employees is 28. To accrue the liability by retirement, the District would accrue the retiree liability over a period of about 27 years (assuming an average retirement age of 55). We applied an "entry age" actuarial cost method to determine funding rates for active employees. The table below summarizes the calculated service cost.

### Service Cost Year Beginning June 30, 2017

	<i>Total</i>	<i>Fire Safety</i>	<i>General Employees</i>
# of Employees	19	18	1
<b>Per Capita Service Cost</b>			
Pre-65 Benefit	N/A	\$3,512	\$1,736
Post-65 Benefit	N/A	\$2,124	\$2,268
<b>First Year Service Cost</b>			
Pre-65 Benefit	\$64,952	\$63,216	\$1,736
Post-65 Benefit	\$40,500	\$38,232	\$2,268
Total	\$105,452	\$101,448	\$4,004

Accruing retiree health benefit costs using service costs levels out the cost of retiree health benefits over time and more fairly reflects the value of benefits "earned" each year by employees. This service cost would increase each year based on covered payroll.

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### 2. Total OPEB Liability (TOL) and Net OPEB Liability (NOL)

If actuarial assumptions are borne out by experience, the District will fully accrue retiree benefits by expensing an amount each year that equals the service cost. If no accruals had taken place in the past, there would be a shortfall of many years' accruals, accumulated interest and forfeitures for terminated or deceased employees. This shortfall is called the Total OPEB Liability (TOL). We calculated the TOL as the APVPBP minus the present value of future service costs. To the extent that benefits are funded through a GASB 74 qualifying trust, the trust's Fiduciary Net Position (FNP) is subtracted to get the NOL. The FNP is the value of assets adjusted for any applicable payables and receivables.

### **Total OPEB Liability (TOL) and Net OPEB Liability (NOL) as of June 30, 2017**

	<i>Total</i>	<i>Fire Safety</i>	<i>General Employees</i>
Active: Pre-65	\$1,033,060	\$1,028,798	\$4,262
Active: Post-65	\$763,533	\$757,946	\$5,587
Subtotal	\$1,796,593	\$1,786,744	\$9,849
Retiree: Pre-65	\$1,124,587	\$1,027,158	\$97,429
Retiree: Post-65	\$2,464,996	\$2,362,267	\$102,729
Subtotal	\$3,589,583	\$3,389,425	\$200,158
Subtotal: Pre-65	\$2,157,647	\$2,055,956	\$101,691
Subtotal: Post-65	\$3,228,529	\$3,120,213	\$108,316
Total OPEB Liability (TOL)	\$5,386,176	\$5,176,169	\$210,007
Fiduciary Net Position as of June 30, 2017	\$1,688,993		
Net OPEB Liability (NOL)	\$3,697,183		

Because Rodeo-Hercules Fire District concluded that it would be too expensive and time-consuming to rerun prior valuations under GASB 75, we invoked Paragraph 244 of GASB 75 for the transition. Consequently, in order to determine the beginning NOL, we used a "roll-back" technique. The following table shows the results of the roll-back. Rodeo-Hercules Fire District should restate its June 30, 2016 NOL accordingly.

### **Changes in Net OPEB Liability as of June 30, 2017**

	<i>TOL</i>	<i>FNP</i>	<i>NOL</i>
Roll back balance at June 30, 2016	\$4,951,369	\$1,516,571	\$3,434,798
Service Cost	\$102,630	\$0	\$102,630
Interest on TOL	\$349,483	\$0	\$349,483
Employer Contributions	\$0	\$29,082	(\$29,082)
Employee Contributions	\$0	\$0	\$0
Actual Investment Income	\$0	\$162,001	(\$162,001)
Administrative Expense	\$0	(\$1,355)	\$1,355
Benefit Payments	(\$17,306)	(\$17,306)	\$0
Other	\$0	\$0	\$0
Net Change during 2016-17	\$434,807	\$172,422	\$262,385
<u>Balance at June 30, 2017 *</u>	\$5,386,176	\$1,688,993	\$3,697,183

\* May include a slight rounding error.

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### 3. Preliminary OPEB Expense

Under GASB 74 and 75, OPEB expense includes service cost, interest cost, change in TOL due to plan changes; all adjusted for deferred inflows and outflows. Rodeo-Hercules Fire District determined that it was not reasonable to rerun prior valuations under GASB 75. Therefore, we used the transition approach provided in GASB 75, Paragraph 244. That means that there are no deferred inflows/outflows in the first year (with the possible exception of contributions after the measurement date). The OPEB expense shown below is considered to be preliminary because there can be employer specific deferred items (e.g., contributions made after the measurement date, and active employee contributions toward the OPEB plan).

#### **Preliminary OPEB Expense Fiscal Year Ending June 30, 2017**

	<i>Total</i>
Service Cost	\$102,630
Interest on Total OPEB Liability (TOL)	\$349,483
Employer Contributions	(\$29,082)
Employee Contributions	\$0
Recognized Actuarial Gains/Losses	\$0
Recognized Assumption Changes	\$0
Actual Investment Income	(\$162,001)
Recognized Investment Gains/Losses	\$0
Contributions After Measurement Date*	\$0
Liability Change Due to Benefit Changes	\$0
Administrative Expense	\$1,355
Preliminary OPEB Expense**	\$262,385

\* Should be added by Rodeo-Hercules Fire District if reporting date is after the measurement date.

\*\* May include a slight rounding error.

### 4. Deferred Inflows and Outflows

Certain types of TOL changes are subject to deferral, as are investment gains/losses. To qualify for deferral, gains and losses must be based on GASB 74/75 compliant valuations. Since the District's prior valuation was performed in accordance with GASB 43/45, it is not possible to calculate compliant gains and losses. (Please see Appendix E, Paragraph 244 for more information.) Therefore, valuation-based deferred items will not begin until the next valuation. However, there could be employer-specific deferred items that need to be reflected, as mentioned earlier.

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### PART IV: "PAY AS YOU GO" FUNDING OF RETIREE BENEFITS

We used the actuarial assumptions shown in Appendix C to project the District's ten year retiree benefit outlay, including any implicit rate subsidy. Because these cost estimates reflect average assumptions applied to a relatively small number of employees, estimates for individual years are **certain** to be ***in***accurate. However, these estimates show the size of cash outflow.

The following table shows a projection of annual amounts needed to pay the District's share of retiree health costs, including any implicit rate subsidy.

<i>Year Beginning</i>			
<i>July 1</i>	<i>Total</i>	<i>Fire Safety</i>	<i>General Employees</i>
2017	\$317,829	\$300,228	\$17,601
2018	\$312,076	\$293,848	\$18,228
2019	\$342,087	\$323,213	\$18,874
2020	\$375,691	\$356,150	\$19,541
2021	\$396,728	\$376,500	\$20,228
2022	\$400,255	\$379,323	\$20,932
2023	\$385,438	\$376,293	\$9,145
2024	\$379,819	\$370,364	\$9,455
2025	\$386,183	\$376,413	\$9,770
2026	\$392,159	\$382,072	\$10,087

## PART V: RECOMMENDATIONS FOR FUTURE VALUATIONS

To effectively manage benefit costs, an employer must periodically examine the existing liability for retiree benefits as well as future annual expected premium costs. GASB 74/75 require biennial valuations. In addition, a valuation should be conducted whenever plan changes, changes in actuarial assumptions or other employer actions are likely to cause a material change in accrual costs and/or liabilities.

Following are examples of actions that could trigger a new valuation.

- An employer should perform a valuation whenever the employer considers or puts in place an early retirement incentive program.
- An employer should perform a valuation whenever the employer adopts a retiree benefit plan for some or all employees.
- An employer should perform a valuation whenever the employer considers or implements changes to retiree benefit provisions or eligibility requirements.
- An employer should perform a valuation whenever the employer introduces or changes retiree contributions.
- An employer should perform a valuation whenever the employer forms a qualifying trust or changes its investment policy.
- An employer should perform a valuation whenever the employer adds or terminates a group of participants that constitutes a significant part of the covered group.

We recommend Rodeo-Hercules Fire District take the following actions to ease future valuations.

- We have used our training, experience and information available to us to establish the actuarial assumptions used in this valuation. We have no information to indicate that any of the assumptions do not reasonably reflect future plan experience. However, the District should review the actuarial assumptions in Appendix C carefully. If the District has any reason to believe that any of these assumptions do not reasonably represent the expected future experience of the retiree health plan, the District should engage in discussions or perform analyses to determine the best estimate of the assumption in question.

**PART VI: APPENDICES**

**APPENDIX A: MATERIALS USED FOR THIS STUDY**

We relied on the following materials to complete this study.

- We used paper reports and digital files containing employee demographic data from the District personnel records.
- We used relevant sections of collective bargaining agreements provided by the District.

**APPENDIX B: EFFECT OF ASSUMPTIONS USED IN CALCULATIONS**

While we believe the estimates in this study are reasonable overall, it was necessary for us to use assumptions which inevitably introduce errors. We believe that the errors caused by our assumptions will not materially affect study results. If the District wants more refined estimates for decision-making, we recommend additional investigation.

## APPENDIX C: ACTUARIAL ASSUMPTIONS AND METHODS

Following is a summary of actuarial assumptions and methods used in this study. The District should carefully review these assumptions and methods to make sure they reflect the District's assessment of its underlying experience. It is important for Rodeo-Hercules Fire District to understand that the appropriateness of all selected actuarial assumptions and methods are Rodeo-Hercules Fire District's responsibility. Unless otherwise disclosed in this report, TCS believes that all methods and assumptions are within a reasonable range based on the provisions of GASB 74 and 75, applicable actuarial standards of practice, Rodeo-Hercules Fire District's actual historical experience, and TCS's judgment based on experience and training.

### ACTUARIAL METHODS AND ASSUMPTIONS:

ACTUARIAL COST METHOD: GASB 74/75 require use of the entry age actuarial cost method.

Entry age is based on the age at hire for eligible employees. The attribution period is determined as the difference between the expected retirement age and the age at hire. The APVPBP and present value of future service costs are determined on an employee by employee basis and then aggregated.

To the extent that different benefit formulas apply to different employees of the same class, the service cost is based on the benefit plan applicable to the most recently hired employees (including future hires if a new benefit formula has been agreed to and communicated to employees). This greatly simplifies administration and accounting; as well as resulting in the correct service cost for new hires.

SUBSTANTIVE PLAN: As required under GASB 74 and 75, we based the valuation on the substantive plan. The formulation of the substantive plan was based on a review of written plan documents as well as historical information provided by Rodeo-Hercules Fire District regarding practices with respect to employer and employee contributions and other relevant factors.



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### ECONOMIC ASSUMPTIONS:

Economic assumptions are set under the guidance of Actuarial Standard of Practice 27 (ASOP 27). Among other things, ASOP 27 provides that economic assumptions should reflect a consistent underlying rate of general inflation. For that reason, we show our assumed long-term inflation rate below.

INFLATION: We assumed 2.75% per year used for pension purposes. Actuarial standards require using the same rate for OPEB that is used for pension.

INVESTMENT RETURN / DISCOUNT RATE: We assumed 7% per year. This is based on assumed long-term return on plan assets assuming 100% funding through CERBT. We used the “Building Block Method”. (See Appendix E, Paragraph 53 for more information).

TREND: We assumed 4% per year. Our long-term trend assumption is based on the conclusion that, while medical trend will continue to be cyclical, the average increase over time cannot continue to outstrip general inflation by a wide margin. Trend increases in excess of general inflation result in dramatic increases in unemployment, the number of uninsured and the number of underinsured. These effects are nearing a tipping point which will inevitably result in fundamental changes in health care finance and/or delivery which will bring increases in health care costs more closely in line with general inflation. We do not believe it is reasonable to project historical trend vs. inflation differences several decades into the future.

PAYROLL INCREASE: We assumed 2.75% per year. Since benefits do not depend on salary (as they do for pensions), using an aggregate payroll assumption for the purpose of calculating the service cost results in a negligible error.

FIDUCIARY NET POSITION (FNP): The following table shows the beginning and ending FNP numbers that were provided by Rodeo-Hercules Fire District.

#### **Fiduciary Net Position as of June 30, 2017**

	<u>06/30/2016</u>	<u>06/30/2017</u>
Cash and Equivalents	\$0	\$0
Contributions Receivable	\$0	\$0
Total Investments	\$1,516,570	\$1,688,993
Capital Assets	\$0	\$0
Total Assets	\$1,516,570	\$1,688,993
Benefits Payable	\$0	\$0
Fiduciary Net Position	\$1,516,570	\$1,688,993

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### NON-ECONOMIC ASSUMPTIONS:

Economic assumptions are set under the guidance of Actuarial Standard of Practice 35 (ASOP 35). See Appendix E, Paragraph 52 for more information.

### ***MORTALITY***

<b><i>Employee Type</i></b>	<b><i>Mortality Tables</i></b>
Fire Safety	2014 CalPERS Mortality for Active Safety Employees
Miscellaneous	2014 CalPERS Active Mortality for Miscellaneous Employees

### ***RETIREMENT RATES***

<b><i>Employee Type</i></b>	<b><i>Retirement Rate Tables</i></b>
Fire Safety	2009 CalPERS 2.0% @60 Rates for Miscellaneous Employees
Miscellaneous	2009 CalPERS 2.0% @60 Rates for Miscellaneous Employees

### ***SERVICE REQUIREMENT***

<b><i>Employee Type</i></b>	<b><i>Service Requirement Tables</i></b>
Fire Safety	100% at 5 Years of Service
Miscellaneous	100% at 5 Years of Service

### ***COSTS FOR RETIREE COVERAGE***

Actuarial Standard of Practice 6 (ASOP 6) provides that, as a general rule, retiree costs should be based on actual claim costs or age-adjusted premiums. This is true even for many medical plans that are commonly considered to be “community-rated.” However, ASOP 6 contains a provision – specifically section 3.7.7(c) – that allows use of unadjusted premiums in certain circumstances.

Because the section 3.7.7(c) exception is new, there is not a consensus among practicing actuaries regarding the specific circumstances under which a section 3.7.7(c) exception may be invoked. It is my opinion that the section 3.7.7(c)(4) exception allows use of unadjusted premium for PEMHCA agencies if certain conditions are met. Other actuaries have taken the position that ASOP 6 does not explicitly allow use of unadjusted premium for any agencies participating in the CalPERS medical plan.

Prior to the most recent ASOP 6 revision, there was general agreement that ASOP 6 allowed use of unadjusted premium as a retiree cost basis for PEMHCA agencies (under section 3.4.5 of the prior version of ASOP 6). Since there have been no changes to the CalPERS medical plan, use of unadjusted premium must still be viewed as appropriate actuarial practice to the extent that it was under the prior version of ASOP 6. That means that if the current ASOP 6 section 3.7.7(c)(4) exception is not deemed to ***explicitly*** allow use of unadjusted premium as a retiree cost basis for Rodeo-Hercules Fire District, then it would be allowable as a “deviation.”

While I am confident that ASOP 6 section 3.7.7(c)(4) will ultimately be found to explicitly allow use of unadjusted premium as a retiree cost basis for most PEMHCA agencies, I cannot be certain that this will be the case if and when this issue is fully reviewed. Therefore, I am including disclosure information required for a “deviation” so that the valuation will not need to be revised in the event section 3.7.7(c)(4) should be found not to explicitly allow use of unadjusted premium. Following is the disclosure information that is required should a deviation be necessary.

Use of ***age-adjusted*** premium for the CalPERS medical plan results in an overstatement of Rodeo-Hercules Fire District’s OPEB Expense and Total OPEB Liability (TOL) to the extent that Rodeo-Hercules Fire District continues to participate in the CalPERS medical plan AND that the rate structure of the CalPERS medical plan continues in its current form (i.e. with no rate distinction between active employees and retirees). In addition to the overstatement of OPEB costs and liabilities, Rodeo-Hercules Fire District’s policy of funding OPEB obligations could lead to an

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inability of Rodeo-Hercules Fire District to recover overfunded assets. It is important to note that, should Rodeo-Hercules Fire District leave the CalPERS medical plan, the subsequent plan may not qualify to use unadjusted premium rates. In this event, leaving the CalPERS medical plan would be comparable to a significant change in plan terms and would likely require a new valuation.

Following are the criteria we applied to Rodeo-Hercules Fire District to determine that it is reasonable to assume that Rodeo-Hercules Fire District's future participation in PEMHCA is likely and that the CalPERS medical program as well as its premium structure are sustainable. (We also have an extensive white paper on this subject that provides a basis for our rationale entirely within the context of ASOP 6. We will make this white paper available upon request.)

The District participates in the CalPERS medical program. We have performed the required evaluation of the CalPERS medical program and we have determined that there is sufficient evidence to apply the 3.7.7(c)(4) exception. Following are details regarding the evaluation based on the criteria we have set:

- **Plan qualifies as a “pooled health plan.”** ASOP 6 defines a “pooled health plan” as one in which premiums are based at least in part on the claims experience of groups other than the one being valued.” Since CalPERS rates are the same for all employers in each region, rates are clearly based on the experience of many groups.
- **Rates not based to any extent on the agency’s claim experience.** As mentioned above, rates are the same for all participating employers regardless of claim experience or size.
- **Rates not based to any extent on the agency’s demographics.** As mentioned above, rates are the same for all participating employers regardless of demographics.
- **No refunds or charges based on the agency’s claim experience or demographics.** The terms of operation of the CalPERS program are set by statute and there is no provision for any refunds and charges that vary from employer to employer for any reason. The only charges are uniform administrative charges.
- **Plan in existence 20 or more years.** Enabling legislation to allow “contracting agencies” to participate in the CalPERS program was passed in 1967. The CalPERS medical plan has been successfully operating for almost 50 years. As far back as we can obtain records, the rating structure has been consistent, with the only difference having been a move to regional rating which is unrelated to age-adjusted rating.
- **No recent large increases or decreases in the number of participating plans or enrollment.** The CalPERS medical plan has shown remarkably stable enrollment. In the past 10 years, there has been small growth in the number of employers in most years – with the maximum being a little over 2% and a very small decrease in one year. Average year over year growth in the number of employers over the last 10 years has been about 0.75% per year. Groups have been consistently leaving the CalPERS medical plan while other groups have been joining with no disruption to its stability.
- **Agency is not expecting to leave plan in foreseeable future.** The District does not plan to leave CalPERS at present.

## Total Compensation Systems, Inc.

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- **No indication the plan will be discontinued.** We are unaware of anything that would cause the CalPERS medical plan to cease or to significantly change its operation in a way that would affect this determination.
- **The agency does not represent a large part of the pool.** The District is in the CalPERS Bay Area region. Based on the information we have, the District constitutes no more than 0.04% of the Bay Area pool. In our opinion, this is not enough for the District to have a measurable effect on the rates or viability of the Bay Area pool.

<i>Employee Type</i>	<i>Future Retirees Pre-65</i>	<i>Future Retirees Post-65</i>
Fire Safety	\$19,913	\$8,410
General Employees	\$17,601	\$7,434

### ***PARTICIPATION RATES***

<i>Employee Type</i>	<i>&lt;65 Non-Medicare Participation %</i>	<i>65+ Medicare Participation %</i>
Fire Safety	100%	100%
Miscellaneous	100%	100%

### ***TURNOVER***

<i>Employee Type</i>	<i>Turnover Rate Tables</i>
Fire Safety	2009 CalPERS Rates for Sworn Fire Employees
Miscellaneous	2009 CalPERS Turnover for Miscellaneous Employees

### ***SPOUSE PREVALENCE***

To the extent not provided and when needed to calculate benefit liabilities, 80% of retirees assumed to be married at retirement. After retirement, the percentage married is adjusted to reflect mortality.

### ***SPOUSE AGES***

To the extent spouse dates of birth are not provided and when needed to calculate benefit liabilities, female spouse assumed to be three years younger than male.

## Total Compensation Systems, Inc.

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### APPENDIX D: DISTRIBUTION OF ELIGIBLE PARTICIPANTS BY AGE

#### **ELIGIBLE ACTIVE EMPLOYEES**

<i>Age</i>	<i>Total</i>	<i>Fire Safety</i>	<i>General Employees</i>
Under 25	0	0	0
25-29	3	3	0
30-34	2	2	0
35-39	3	2	1
40-44	3	3	0
45-49	3	3	0
50-54	3	3	0
55-59	2	2	0
60-64	0	0	0
65 and older	0	0	0
Total	19	18	1

#### **ELIGIBLE RETIREES**

<i>Age</i>	<i>Total</i>	<i>Fire Safety</i>	<i>General Employees</i>
Under 50	0	0	0
50-54	1	1	0
55-59	6	5	1
60-64	4	4	0
65-69	7	7	0
70-74	3	3	0
75-79	0	0	0
80-84	1	1	0
85-89	0	0	0
90 and older	0	0	0
Total	22	21	1

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## APPENDIX E: GASB 74/75 ACCOUNTING ENTRIES AND DISCLOSURES

This report does not necessarily include the entire accounting values. As mentioned earlier, there are certain deferred items that are employer-specific. The District should consult with its auditor if there are any questions about what, if any, adjustments may be appropriate.

GASB 74/75 include a large number of items that should be included in the Note Disclosures and Required Supplementary Information (RSI) Schedules. Many of these items are outside the scope of the actuarial valuation. However, following is information to assist the District in complying with GASB 74/75 disclosure requirements:

**Paragraph 50:**                    **Information about the OPEB Plan**

Most of the information about the OPEB plan should be supplied by Rodeo-Hercules Fire District. Following is information to help fulfill Paragraph 50 reporting requirements.

50.c: Following is a table of plan participants

	Number of Participants
Inactive Employees Receiving Benefits	22
Inactive Employees Entitled to But Not Receiving Benefits*	0
Participating Active Employees	19
Total Number of participants	41

\*We were not provided with information about any terminated, vested employees

**Paragraph 51:**                    **Significant Assumptions and Other Inputs**

shown in Appendix C.

**Paragraph 52:**                    **Information Related to Assumptions and Other Inputs**

The following information is intended to assist Rodeo-Hercules Fire District in complying with the requirements of Paragraph 52.

52.b: Mortality Assumptions Following are the tables the mortality assumptions are based upon. Inasmuch as these tables are based on appropriate populations, and that these tables are used for pension purposes, we believe these tables to be the most appropriate for the valuation.

Mortality Table Disclosure	2014 CalPERS Active Mortality for Miscellaneous Employees The mortality assumptions are based on the 2014 CalPERS Active Mortality for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.
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## Total Compensation Systems, Inc.

Mortality Table	2014 CalPERS Mortality for Retired safety Employees
Disclosure	The mortality assumptions are based on the 2014 CalPERS Mortality for Retired safety Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.
Mortality Table	2014 CalPERS Mortality for Active Safety Employees
Disclosure	The mortality assumptions are based on the 2014 CalPERS Mortality for Active Safety Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.
Mortality Table	2014 CalPERS Retiree Mortality for Miscellaneous Employees
Disclosure	The mortality assumptions are based on the 2014 CalPERS Retiree Mortality for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.

52.c: Experience Studies Following are the tables the retirement and turnover assumptions are based upon. Inasmuch as these tables are based on appropriate populations, and that these tables are used for pension purposes, we believe these tables to be the most appropriate for the valuation.

### Retirement Tables

Retirement Table	2009 CalPERS 2.0% @60 Rates for Miscellaneous Employees
Disclosure	The retirement assumptions are based on the 2009 CalPERS 2.0% @60 Rates for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.
Retirement Table	2009 PERS 3% @55 for firefighters
Disclosure	The retirement assumptions are based on the 2009 PERS 3% @55 FIRE RX table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.

## Total Compensation Systems, Inc.

	2009 CalPERS 2% @50 Rates for Firefighters
Disclosure	The retirement assumptions are based on the 2009 CalPERS 2% @50 Rates for Sworn Firefighters created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.

### Turnover Tables

Turnover Table	2009 CalPERS Rates for Sworn Fire Employees
Disclosure	The turnover assumptions are based on the 2009 CalPERS Rates for Sworn Fire Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.

Turnover Table	2009 CalPERS Turnover for Miscellaneous Employees
Disclosure	The turnover assumptions are based on the 2009 CalPERS Turnover for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.

For other assumptions, we use actual plan provisions and plan data.

52.d: The alternative measurement method was not used in this valuation.

52.e: NOL Using alternative trend assumptions The following table shows the Net OPEB Liability with a healthcare cost trend rate 1% higher and 1% lower than assumed in the valuation.

	Trend 1% Lower	Valuation Trend	Trend 1% Higher
Net OPEB Liability	\$3,186,898	\$3,697,183	\$4,283,259

### **Paragraph 53:**

#### **Discount Rate**

The following information is intended to assist Rodeo-Hercules Fire District to comply with Paragraph 53 requirements.

53.a: A discount rate of 7% was used in the valuation.

53.b: We assumed that contributions would be sufficient to fully fund the obligation over a period not to exceed 30 years.

53.c: We used historic 30 year real rates of return for each asset class along with our assumed long-term inflation assumption to set the discount rate. We offset the expected investment return by investment expenses of 25 basis points.

53.d and 53.e.: Not applicable.



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53.f: Following is the assumed asset allocation and assumed rate of return for each.

### CERBT - Strategy 1

<b>Asset Class</b>	<b>Percentage of Portfolio</b>	<b>Assumed Gross Return</b>
US Large Cap	43.0000	7.7950
US Small Cap	23.0000	7.7950
Long-Term Corporate Bonds	12.0000	5.2950
Long-Term Government Bonds	6.0000	4.5000
Treasury Inflation Protected Securities (TIPS)	5.0000	7.7950
US Real Estate	8.0000	7.7950
All Commodities	3.0000	7.7950

We looked at rolling periods of time for all asset classes in combination to appropriately reflect correlation between asset classes. That means that the average returns for any asset class don't necessarily reflect the averages over time individually, but reflect the return for the asset class for the portfolio average. We used geometric means.

## Total Compensation Systems, Inc.

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53.g The following table shows the Net OPEB liability with a discount rate 1% higher and 1% lower than assumed in the valuation.

	Discount Rate 1% Lower	Valuation Discount Rate	Discount Rate 1% Higher
Net OPEB Liability	\$4,302,760	\$3,697,183	\$3,189,575

### **Paragraph 55:** **Changes in the Net OPEB Liability**

Please see reconciliation on page 11. Please see the notes for Paragraph 244 below for more information.

### **Paragraph 56:** **Additional Net OPEB Liability Information**

The following information is intended to assist Rodeo-Hercules Fire District to comply with Paragraph 56 requirements.

- 56.a: The valuation date is June 30, 2017.  
The measurement date is June 30, 2017.
- 56.b; 56.c; 56.d; 56.e; 56.f: Not applicable
- 56.g: To be determined by the employer
- 56.h.(1) through (4): Not applicable
- 56.h.(5): To be determined by the employer
- 56.i: Not applicable

### **Paragraph 57:** **Required Supplementary Information**

- 57.a: Please see reconciliation on page 11. Please see the notes for Paragraph 244 below for more information.
- 57.b: These items are provided on page 11 for the current valuation, except for covered payroll, which should be determined based on appropriate methods.
- 57.c: We have not been asked to calculate an actuarially determined contribution amount.  
We assume the District contributes on an ad hoc basis, but in an amount sufficient to fully fund the obligation over a period not to exceed 30 years.
- 57.d: We are not aware that there are any statutorily or contractually established contribution requirements.

### **Paragraph 58:** **Actuarially Determined Contributions**

We have not been asked to calculate an actuarially determined contribution amount. We assume the District contributes on an ad hoc basis, but in an amount sufficient to fully fund the obligation over a period not to exceed 30 years.

### **Paragraph 244:** **Transition Option**

Prior periods were not restated due to the fact that prior valuations were not rerun in accordance with GASB 75. It was determined that the time and expense necessary to rerun prior valuations and to restate prior financial statements was not justified.

# Total Compensation Systems, Inc.

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## APPENDIX F: GLOSSARY OF RETIREE HEALTH VALUATION TERMS

Note: The following definitions are intended to help a *non-actuary* understand concepts related to retiree health valuations. Therefore, the definitions may not be actuarially accurate.

<u>Actuarial Cost Method:</u>	A mathematical model for allocating OPEB costs by year of service. The only actuarial cost method allowed under GASB 74/75 is the entry age actuarial cost method.
<u>Actuarial Present Value of Projected Benefit Payments:</u>	The projected amount of all OPEB benefits to be paid to current and future retirees discounted back to the valuation or measurement date.
<u>Deferred Inflows/Outflows of Resources:</u>	A portion of certain items that can be deferred to future periods or that weren't reflected in the valuation. The former includes investment gains/losses, actuarial gains/losses, and gains/losses due to changes in actuarial assumptions or methods. The latter includes contributions made to a trust subsequent to the measurement date but before the statement date.
<u>Discount Rate:</u>	Assumed investment return net of all investment expenses. Generally, a higher assumed interest rate leads to lower service costs and total OPEB liability.
<u>Fiduciary Net Position:</u>	Net assets (liability) of a qualifying OPEB "plan" (i.e. qualifying irrevocable trust or equivalent arrangement).
<u>Implicit Rate Subsidy:</u>	The estimated amount by which retiree rates are understated in situations where, for rating purposes, retirees are combined with active employees and the employer is expected, in the long run, to pay the underlying cost of retiree benefits.
<u>Measurement Date:</u>	The date at which assets and liabilities are determined in order to estimate TOL and NOL.
<u>Mortality Rate:</u>	Assumed proportion of people who die each year. Mortality rates always vary by age and often by sex. A mortality table should always be selected that is based on a similar "population" to the one being studied.
<u>Net OPEB Liability (NOL):</u>	The Total OPEB Liability minus the Fiduciary Net Position.
<u>OPEB Benefits:</u>	Other Post Employment Benefits. Generally medical, dental, prescription drug, life, long-term care or other postemployment benefits that are not pension benefits.
<u>OPEB Expense:</u>	This is the amount employers must recognize as an expense each year. The annual OPEB expense is equal to the Service Cost plus interest on the Total OPEB Liability (TOL) plus change in TOL due to plan changes minus projected investment income; all adjusted to reflect deferred inflows and outflows of resources.

## Total Compensation Systems, Inc.

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<u>Participation Rate:</u>	The proportion of retirees who elect to receive retiree benefits. A lower participation rate results in lower service cost and a TOL. The participation rate often is related to retiree contributions.
<u>Retirement Rate:</u>	The proportion of active employees who retire each year. Retirement rates are usually based on age and/or length of service. (Retirement rates can be used in conjunction with the service requirement to reflect both age and length of service). The more likely employees are to retire early, the higher service costs and actuarial accrued liability will be.
<u>Service Cost:</u>	The annual dollar value of the “earned” portion of retiree health benefits if retiree health benefits are to be fully accrued at retirement.
<u>Service Requirement:</u>	The proportion of retiree benefits payable under the OPEB plan, based on length of service and, sometimes, age. A shorter service requirement increases service costs and TOL.
<u>Total OPEB Liability (TOL):</u>	The amount of the actuarial present value of projected benefit payments attributable to employees’ past service based on the actuarial cost method used.
<u>Trend Rate:</u>	The rate at which the employer’s share of the cost of retiree benefits is expected to increase over time. The trend rate usually varies by type of benefit (e.g. medical, dental, vision, etc.) and may vary over time. A higher trend rate results in higher service costs and TOL.
<u>Turnover Rate:</u>	The rate at which employees cease employment due to reasons other than death, disability or retirement. Turnover rates usually vary based on length of service and may vary by other factors. Higher turnover rates reduce service costs and TOL.
<u>Valuation Date:</u>	The date as of which the OPEB obligation is determined by means of an actuarial valuation. Under GASB 74 and 75, the valuation date does not have to coincide with the statement date, but can’t be more than 30 months prior.

## **APPENDIX C**

# **VEHICLE REPLACEMENT SCHEDULES**

Rodeo Hercules Fire District  
Vehicle Replacement Reserve Schedule

Vehicle	Type	Model	Year Purchased	Useful Life (Average)	Replacement Year	Years to Replacement Year	Current Replacement Cost	Reserve per Year to Replacement Year	Reserve per Year After 1st Replacement Year	Reserve Requirement											
										2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
7500	SUV	Chevy Tahoe	2017	10	2027	9	\$65,000	\$7,222	\$6,500	\$7,222	\$7,222	\$7,222	\$7,222	\$7,222	\$7,222	\$7,222	\$7,222	\$6,500	\$6,500	\$6,500	
7501	SUV	Chevy Tahoe	2017	10	2027	9	\$65,000	\$7,222	\$6,500	\$7,222	\$7,222	\$7,222	\$7,222	\$7,222	\$7,222	\$7,222	\$7,222	\$6,500	\$6,500	\$6,500	
E-75	Type I	Spartan	2014	15	2029	11	\$750,000	\$68,182	\$50,000	\$68,182	\$68,182	\$68,182	\$68,182	\$68,182	\$68,182	\$68,182	\$68,182	\$68,182	\$68,182	\$68,182	\$50,000
E-75A	Type I	Spartan	2000	15	2015	-3	\$750,000	-\$250,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Q-76	Quint	Smeal	2006	15	2021	3	\$1,500,000	\$500,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
E-76	Type I	Spartan	1995	15	2010	-8	\$750,000	-\$93,750	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
376	Type III	International	2005	20	2025	7	\$400,000	\$57,143	\$20,000	\$57,143	\$57,143	\$57,143	\$57,143	\$57,143	\$57,143	\$57,143	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
375	Type III	International	2007	20	2027	9	\$400,000	\$44,444	\$20,000	\$44,444	\$44,444	\$44,444	\$44,444	\$44,444	\$44,444	\$44,444	\$44,444	\$20,000	\$20,000	\$20,000	\$20,000
PU 76	Pickup	Ford F350	2005	20	2025	7	\$90,000	\$12,857	\$4,500	\$12,857	\$12,857	\$12,857	\$12,857	\$12,857	\$12,857	\$12,857	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500
S2	SUV	Ford Expedition	2005	10	2015	-3	\$65,000	-\$21,667	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500
S3	SUV	Ford Escape	2007	20	2027	9	\$40,000	\$4,444	\$2,000	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500
<b>Total</b>							<b>\$4,770,000</b>	<b>\$353,321</b>	<b>\$307,500</b>	<b>\$397,071</b>	<b>\$397,071</b>	<b>\$397,071</b>	<b>\$397,071</b>	<b>\$397,071</b>	<b>\$397,071</b>	<b>\$397,071</b>	<b>\$351,571</b>	<b>\$351,571</b>	<b>\$325,682</b>	<b>\$325,682</b>	<b>\$307,500</b>

Existing Leases

Vehicle	Type	Model	Year Leased	Purchase Price	Cash Amount	Lease Amount	Lease Term	Lease Interest Rate
S4	SUV	Chevy Tahoe	2017	\$65,000	\$21,523	\$43,477	10	3.10%
S2	SUV	Chevy Tahoe	2017	\$65,000	\$21,523	\$43,477	10	3.10%
E-75	Type I	Spartan	2014	\$613,046	\$0	\$613,046	10	3.10%
<b>Total (3)</b>				<b>\$743,046</b>	<b>\$43,046</b>	<b>\$700,000</b>		

Kansas City Bank Lease Payments											
2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
\$4,994	\$4,994	\$4,994	\$4,994	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$4,994	\$4,994	\$4,994	\$4,994	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$70,414	\$70,414	\$70,414	\$70,414	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>\$80,401</b>	<b>\$80,401</b>	<b>\$80,401</b>	<b>\$80,401</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Future Leases

Vehicle	Type	Model	Year Leased	Purchase Price	Cash Amount	Lease Amount	Lease Term	Lease Interest Rate
E-76 Replacement	Type I	N/A	2018	\$750,000	\$0	\$750,000	10	4.00%
Q-76 Replacement	Quint	N/A	2018	\$1,500,000	\$0	\$1,500,000	10	4.00%

Lease Payments											
2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
\$0	\$91,121	\$91,121	\$91,121	\$91,121	\$91,121	\$91,121	\$91,121	\$91,121	\$91,121	\$91,121	\$0
\$0	\$0	\$182,242	\$182,242	\$182,242	\$182,242	\$182,242	\$182,242	\$182,242	\$182,242	\$182,242	\$182,242

- (1) Assumes vehicles lease purchased in 2017 with funds borrowed from Kansas State Bank of Manhattan in 2012
- (2) Assumes district enters into a lease purchase agreement to acquire a replacement for E-76 Type I vehicle in 2018, at 4% interest for a term of ten years
- (3) Does not include escrow fees of \$3,500

## **APPENDIX D**

# **FIVE YEAR REVENUE AND EXPENDITURE PROJECTIONS**

Rodeo Hercules Fire District  
General Fund Expenditure Analysis

Expenditure Category (1)	Actual FY 2015-16	Adopted Budget FY 2016-17	Adopted Budget FY 2017-18	Projected FY 2018-19	Projected FY 2019-20	Projected FY 2020-21	Projected FY 2021-22	Projected FY2022-2023	Projected FY 2023-2024	Comments for Future Years' Projections
Holiday Pay		116,670	156,543	149,923	152,921	155,980	159,099	162,281	165,527	2% per year (base, acting, medic, longevity, CTO payout)
Permanent Salaries	2,438,710	1,674,895	2,199,278	2,360,955	2,408,174	2,456,338	2,505,464	2,555,574	2,606,685	2% per year
Drill/Temporary Salaries	8,904	2,500	500	500	510	520	531	541	552	2% per year
Overtime	430,535		-	-	-	-	-	-	-	
Backfill	-	221,802	376,200	376,200	383,724	391,398	399,226	407,211	415,355	2% per year
FLSA	-	40,505	50,877	48,725	49,700	50,693	51,707	52,742	53,796	2% per year
SAFER Backfill	-	54,230	-	-	-	-	-	-	-	
Post-SAFER Coverage	-	534,845	-	-	-	-	-	-	-	
Deferred Compensation	-	7,200	10,800	10,800	10,800	10,800	10,800	10,800	10,800	Flat
FICA	41,912	23,819	31,115	32,103	32,745	33,400	34,068	34,749	35,444	2% per year
Retirement	2,036,185	-	-	-	-	-	-	-	-	
Retirement - Normal		430,329	540,149	561,262	576,697	594,690	609,973	625,649	641,729	FY 18-19 + 2.01%; 19-20 + 2.75%; 20-21 + 3.12%; 21-22 + 2.57%
Retirement - UAAL (2)		1,358,110	1,652,779	1,683,840	1,730,146	1,784,126	1,829,978	1,877,009	1,925,248	FY 18-19 thru FY 21-22 - Same as above as a placeholder
Group Insurance	484,691	361,001	503,911	517,577	538,280	559,811	582,204	602,581	623,671	7% per 1/2 year
Medical Insurance - Retiree	304,622	294,000	315,000	337,050	350,532	364,553	379,135	392,405	406,139	7% per 1/2 year
Unemployment	2,338	1,000	1,000	1,000	1,020	1,040	1,061	1,082	1,104	2% per year
Workers Compensation Insurance	229,328	175,864	245,868	263,108	264,899	270,197	275,601	281,113	286,735	11% of Permanent Salaries
<b>Total - Personnel Expenditures</b>	<b>5,977,225</b>	<b>5,296,770</b>	<b>6,084,020</b>	<b>6,343,043</b>	<b>6,500,148</b>	<b>6,673,547</b>	<b>6,838,849</b>	<b>7,003,738</b>	<b>7,172,786</b>	
Office Expenses	9,036	13,041	12,780	16,945	17,284	17,630	17,982	18,342	18,709	2% per year
Books/Periodicals/Subscriptions	1,547	1,872	2,485	2,485	2,535	2,585	2,637	2,690	2,744	2% per year
Communications	162,870	177,473	162,656	180,915	191,770	203,276	215,473	228,401	242,105	6% per year
Utilities	22,765	23,540	28,823	28,823	29,399	29,987	30,587	31,199	31,823	2% per year
Small Tools & Instruments	233	2,000	2,000	1,400	1,428	1,457	1,486	1,515	1,546	2% per year
New Vehicle Equipment	-	-	30,000	-	-	-	-	-	-	FC & BC vehicles in FY 17-18; vehicle 754 in FY18-19
Medical Supplies	6,793	8,950	7,340	7,340	7,487	7,637	7,789	7,945	8,104	2% per year
Food	1,349	2,000	1,920	2,420	2,468	2,518	2,568	2,619	2,672	2% per year
Clothing & Personal Supplies	13,808	8,580	13,200	13,200	13,464	13,733	14,008	14,288	14,574	2% per year
Household Expense	5,785	13,275	13,275	6,000	6,120	6,242	6,367	6,495	6,624	2% per year
Publications & Legal Notices	1,833	1,100	1,180	1,180	1,204	1,228	1,252	1,277	1,303	2% per year
Memberships	4,006	4,204	4,204	4,288	4,374	4,461	4,551	4,642	4,735	2% per year
Rents & Leases - Equipment	7,924	10,050	8,640	8,640	8,813	8,989	9,169	9,352	9,539	2% per year
Lease Payments - Vehicles	-	-	80,401	80,401	169,313	169,313	169,313	169,313	169,313	Lease payment (formerly in Capital Fund)
Repairs & Service Equipment	12,941	20,652	35,224	17,740	18,095	18,457	18,826	19,202	19,586	2% per year
Central Garage Repairs	22,109	69,903	71,620	72,820	74,276	75,762	77,277	78,823	80,399	2% per year
Central Garage Gasoline/Oil	2,010	13,065	8,620	10,000	10,200	10,404	10,612	10,824	11,041	2% per year
Central Garage Tires	978	9,981	10,531	12,500	12,750	13,005	13,265	13,530	13,801	2% per year
Maintenance Radio - Electronic Equip	18,689	20,910	20,780	27,300	27,846	28,403	28,971	29,550	30,141	2% per year
Maintenance of Buildings	1,226	6,557	42,064	18,864	19,241	19,626	20,019	20,419	20,827	FY 18-19: \$22,064 + 2%; 2% per year thereafter
Other Travel Expenses	2,203	3,172	3,172	4,360	4,447	4,536	4,627	4,719	4,814	2% per year
Professional/Specialized Services	631,649	382,227	314,843	346,368	353,295	360,361	367,568	374,920	382,418	FY 18-19: \$277,843 + 2%; 2% per year thereafter
Data Processing Service	362	2,210	192	192	196	200	204	208	212	2% per year
Data Processing Supplies		200	323	323	329	336	343	350	357	2% per year
Information Security	1,712	1,518	1,020	1,020	1,040	1,061	1,082	1,104	1,126	2% per year
Insurance	38,829	34,028	34,639	40,423	41,231	42,056	42,897	43,755	44,630	2% per year
Fire Fighting Supplies	6,806	6,680	48,498	4,180	4,264	4,349	4,436	4,525	4,615	18-19 \$18,450 + 2%; 2% thereafter
Recreation/Physical Fitness Equipment		1,000	6,200	700	714	728	743	758	773	2% per year
Education Supplies & Courses	6,412	20,115	17,457	17,220	17,564	17,916	18,274	18,639	19,012	2% per year
Other Special Departmental Expenses	2,815	11,500	3,444	1,940	1,979	2,018	2,059	2,100	2,142	2% per year
Interest on Notes & Warrants	901	2,000	2,000	1,000	1,020	1,040	1,061	1,082	1,104	2% per year
Taxes & Assessments	10,395	13,000	13,000	13,000	13,390	13,792	14,205	14,632	15,071	3% per year
<b>Total Service &amp; Supplies</b>	<b>997,986</b>	<b>884,803</b>	<b>1,002,531</b>	<b>943,903</b>	<b>1,057,452</b>	<b>1,083,019</b>	<b>1,109,562</b>	<b>1,137,128</b>	<b>1,165,767</b>	
<b>Total Expenditures</b>	<b>6,975,211</b>	<b>6,181,573</b>	<b>7,086,551</b>	<b>7,286,946</b>	<b>7,557,599</b>	<b>7,756,567</b>	<b>7,948,411</b>	<b>8,140,866</b>	<b>8,338,553</b>	

Note:  
(1) Does not include contributions to OPEB ARC, Vehicle and Equipment Replacement Reserve or General Fund Reserve.



Rodeo Hercules Fire District  
Revenue Analysis

Revenue Category	Actual FY 2015-16	Adopted Budget FY 2016-17	Adopted Budget FY 2017-18	Projected FY 2018-19	Projected FY 2019-20	Projected FY 2020-21	Projected FY 2021-22	Projected FY 2022-23	Projected FY 2023-24	Comments for Future Years' Projections
<b>General Fund</b>										
Property taxes	2,987,547	3,105,453	3,154,122	3,154,122	3,248,746	3,346,208	3,446,594	3,549,992	3,656,492	3% per year
Intergovernmental (Rodeo Pass-Thru)	305,355	316,063	322,276	331,944	341,903	352,160	362,724	373,606	384,814	3% per year
Homeowners Tax Relief	31,032	31,031	30,945	31,873	32,830	33,814	34,829	35,874	36,950	3% per year
Charges for Services	33,105	33,000	20,316	43,066	44,358	45,689	47,059	48,471	49,925	3% per year
Measure H EMS	85,952	85,952	88,091	87,565	90,192	92,898	95,685	98,555	101,512	3% per year
Miscellaneous			13,213	27,113	27,926	28,764	29,627	30,516	31,431	3% per year
Special Tax/Fire (Benefit Assessment)	1,338,993	1,338,993	1,339,548	1,354,034	1,354,034	1,354,034	1,354,034	1,354,034	1,354,034	Fixed fee per unit
<b>Total General Fund Revenue</b>	<b>4,781,984</b>	<b>4,910,492</b>	<b>4,968,511</b>	<b>5,029,718</b>	<b>5,139,988</b>	<b>5,253,567</b>	<b>5,370,553</b>	<b>5,491,048</b>	<b>5,615,159</b>	

Other Funds	Actual FY 2015-16	Budget FY 2016-17	Budget FY 2017-18	Projected FY 2018-19	Projected FY 2019-20	Projected FY 2020-21	Projected FY 2021-22	Projected FY 2022-23	Projected FY 2023-24	Comments for Future Years' Projections
Measure "O"	947,742	1,006,138	2,346,000	2,352,672	2,418,024	2,418,024	2,418,024			Kept flat due unknown # of exemptions
Capital Fund		65,000	0	0	0	0	0			None
Development Impact Fees		56,000	100,000	103,000	tbd	tbd	tbd			To be determined
SAFER Grant	1,015,716	711,427	0	0	0	0	0			None

# **APPENDIX E**

## **FIRE DISTRICT CALL DATA**

## Incident Type Count Report

Date Range: From 1/1/2017 To 12/31/2017

Selected Station(s): All

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### Incident

<u>Type</u>	<u>Description</u>	<u>Count</u>	
<b>Station: 75</b>			
100	- Fire, other	2	0.08%
111	- Building fire	7	0.27%
113	- Cooking fire, confined to container	5	0.19%
118	- Trash or rubbish fire, contained	8	0.30%
130	- Mobile property (vehicle) fire, other	2	0.08%
131	- Passenger vehicle fire	13	0.50%
132	- Road freight or transport vehicle fire	1	0.04%
138	- Off-road vehicle or heavy equipment fire	1	0.04%
142	- Brush, or brush and grass mixture fire	4	0.15%
143	- Grass fire	11	0.42%
150	- Outside rubbish fire, other	7	0.27%
151	- Outside rubbish, trash or waste fire	14	0.53%
160	- Special outside fire, other	3	0.11%
162	- Outside equipment fire	2	0.08%
<b>Total - Fires</b>		<b>80</b>	<b>6.80%</b>
311	- Medical assist, assist EMS crew	2	0.08%
321	- EMS call, excluding vehicle accident with injury	657	25.03%
322	- Vehicle accident with injuries	63	2.40%
323	- Motor vehicle/pedestrian accident (MV Ped)	1	0.04%
324	- Motor vehicle accident with no injuries	9	0.34%
<b>Total - Rescue &amp; Emergency Medical Service Incidents</b>		<b>732</b>	<b>62.24%</b>
400	- Hazardous condition, other	4	0.15%
411	- Gasoline or other flammable liquid spill	1	0.04%
412	- Gas leak (natural gas or LPG)	5	0.19%
413	- Oil or other combustible liquid spill	1	0.04%
440	- Electrical wiring/equipment problem, other	1	0.04%
443	- Light ballast breakdown	1	0.04%
444	- Power line down	5	0.19%
445	- Arcing, shorted electrical equipment	3	0.11%
4630	- Vehicle accident, Non Injury	4	0.15%
<b>Total - Hazardous Conditions (No fire)</b>		<b>25</b>	<b>2.13%</b>
500	- Service Call, other	4	0.15%
510	- Person in distress, other	3	0.11%
511	- Lock-out	5	0.19%
520	- Water problem, other	3	0.11%
522	- Water or steam leak	4	0.15%
531	- Smoke or odor removal	4	0.15%
5410	- Snake problem	3	0.11%
550	- Public service assistance, other	3	0.11%
551	- Assist police or other governmental agency	2	0.08%
552	- Police matter	1	0.04%
553	- Public service	14	0.53%
554	- Assist invalid	19	0.72%

**Incident**

<b><u>Type</u></b>	<b><u>Description</u></b>	<b><u>Count</u></b>	
<b>Station: 75 - (Continued)</b>			
561 - Unauthorized burning		2	0.08%
<b>Total - Service Call</b>		<b>67</b>	<b>5.70%</b>
600 - Good intent call, other		2	0.08%
611 - Dispatched & cancelled en route		167	6.36%
611E - EMS: Dispatched & cancelled en route		4	0.15%
622 - No incident found on arrival at dispatch address		3	0.11%
651 - Smoke scare, odor of smoke		13	0.50%
652 - Steam, vapor, fog or dust thought to be smoke		1	0.04%
6610 - EMS call cancelled		4	0.15%
<b>Total - Good Intent Call</b>		<b>194</b>	<b>16.50%</b>
700 - False alarm or false call, other		39	1.49%
710 - Malicious, mischievous false call, other		1	0.04%
714 - Central station, malicious false alarm		1	0.04%
733 - Smoke detector activation due to malfunction		4	0.15%
735 - Alarm system sounded due to malfunction		6	0.23%
736 - CO detector activation due to malfunction		4	0.15%
740 - Unintentional transmission of alarm, other		5	0.19%
741 - Sprinkler activation, no fire - unintentional		1	0.04%
743 - Smoke detector activation, no fire - unintentional		12	0.46%
744 - Detector activation, no fire - unintentional		2	0.08%
745 - Alarm system sounded, no fire - unintentional		1	0.04%
746 - Carbon monoxide detector activation, no CO		2	0.08%
<b>Total - Fals Alarm &amp; False Call</b>		<b>78</b>	<b>6.63%</b>
<b>Total for Station</b>		<b>1,176</b>	<b>44.80%</b>
<b>Station: 76</b>			
100 - Fire, other		2	0.08%
111 - Building fire		7	0.27%
112 - Fires in structures other than in a building		1	0.04%
113 - Cooking fire, confined to container		4	0.15%
118 - Trash or rubbish fire, contained		5	0.19%
131 - Passenger vehicle fire		9	0.34%
140 - Natural vegetation fire, other		3	0.11%
142 - Brush, or brush and grass mixture fire		3	0.11%
143 - Grass fire		11	0.42%
150 - Outside rubbish fire, other		2	0.08%
151 - Outside rubbish, trash or waste fire		3	0.11%
162 - Outside equipment fire		2	0.08%
<b>Total - Fires</b>		<b>52</b>	<b>3.61%</b>
311 - Medical assist, assist EMS crew		3	0.11%
321 - EMS call, excluding vehicle accident with injury		704	26.82%
322 - Vehicle accident with injuries		49	1.87%
323 - Motor vehicle/pedestrian accident (MV Ped)		1	0.04%
324 - Motor vehicle accident with no injuries		17	0.65%
331 - Lock-in (if lock out , use 511 )		1	0.04%
353 - Removal of victim(s) from stalled elevator		2	0.08%
<b>Total - Rescue &amp; Emergency Medical Service Incidents</b>		<b>777</b>	<b>53.88%</b>
400 - Hazardous condition, other		1	0.04%
411 - Gasoline or other flammable liquid spill		1	0.04%
412 - Gas leak (natural gas or LPG)		6	0.23%

**Incident**

<b><u>Type</u></b>	<b><u>Description</u></b>	<b><u>Count</u></b>	
<b>Station: 76 - (Continued)</b>			
424	- Carbon monoxide incident	1	0.04%
440	- Electrical wiring/equipment problem, other	4	0.15%
445	- Arcing, shorted electrical equipment	1	0.04%
4630	- Vehicle accident, Non Injury	5	0.19%
<b>Total - Hazardous Conditions (No fire)</b>		<b>19</b>	<b>1.32%</b>
500	- Service Call, other	4	0.15%
510	- Person in distress, other	1	0.04%
511	- Lock-out	6	0.23%
520	- Water problem, other	10	0.38%
522	- Water or steam leak	8	0.30%
531	- Smoke or odor removal	4	0.15%
541	- Animal problem	2	0.08%
5410	- Snake problem	28	1.07%
542	- Animal rescue	1	0.04%
550	- Public service assistance, other	9	0.34%
551	- Assist police or other governmental agency	3	0.11%
552	- Police matter	4	0.15%
553	- Public service	13	0.50%
554	- Assist invalid	36	1.37%
<b>Total - Service Call</b>		<b>129</b>	<b>8.95%</b>
600	- Good intent call, other	4	0.15%
611	- Dispatched & cancelled en route	305	11.62%
611E	- EMS: Dispatched & cancelled en route	1	0.04%
622	- No incident found on arrival at dispatch address	9	0.34%
650	- Steam, other gas mistaken for smoke, other	1	0.04%
651	- Smoke scare, odor of smoke	27	1.03%
6610	- EMS call cancelled	7	0.27%
<b>Total - Good Intent Call</b>		<b>354</b>	<b>24.55%</b>
700	- False alarm or false call, other	39	1.49%
710	- Malicious, mischievous false call, other	1	0.04%
711	- Municipal alarm system, malicious false alarm	2	0.08%
713	- Telephone, malicious false alarm	1	0.04%
715	- Local alarm system, malicious false alarm	2	0.08%
721	- Bomb scare - no bomb	1	0.04%
730	- System malfunction, other	1	0.04%
733	- Smoke detector activation due to malfunction	6	0.23%
734	- Heat detector activation due to malfunction	1	0.04%
735	- Alarm system sounded due to malfunction	15	0.57%
736	- CO detector activation due to malfunction	6	0.23%
740	- Unintentional transmission of alarm, other	9	0.34%
743	- Smoke detector activation, no fire - unintentional	21	0.80%
744	- Detector activation, no fire - unintentional	2	0.08%
745	- Alarm system sounded, no fire - unintentional	2	0.08%
746	- Carbon monoxide detector activation, no CO	2	0.08%
<b>Total - Fals Alarm &amp; False Call</b>		<b>111</b>	<b>7.70%</b>
<b>Total for Station</b>		<b>1,442</b>	<b>54.93%</b>
<b>Station: MA</b>			
111	- Building fire	3	0.11%
<b>Total - Fires</b>		<b>3</b>	<b>42.86%</b>

**Incident**

<b><u>Type</u></b>	<b><u>Description</u></b>	<b><u>Count</u></b>	
<b>Station: MA - (Continued)</b>			
	311 - Medical assist, assist EMS crew	1	0.04%
	321 - EMS call, excluding vehicle accident with injury	1	0.04%
	350 - Extrication, rescue, other	1	0.04%
	<b>Total - Rescue &amp; Emergency Medical Service Incidents</b>	<b>3</b>	<b>42.86%</b>
	743 - Smoke detector activation, no fire - unintentional	1	0.04%
	<b>Total - Fals Alarm &amp; False Call</b>	<b>1</b>	<b>14.29%</b>
	<b>Total for Station</b>	<b>7</b>	<b>0.27%</b>
		<b>2,625</b>	<b>100.00%</b>

**RODEO - HERCULES FIRE PROTECTION DISTRICT  
HERCULES, CALIFORNIA**

**BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2018**

**Harshwal & Company LLP  
Certified Public Accountants  
266 17th Street, Suite 200  
Oakland, CA 94612  
(510) 452-5051**

**RODEO - HERCULES FIRE PROTECTION DISTRICT**

**JUNE 30, 2018**

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## **FINANCIAL SECTION**

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of the  
Rodeo - Hercules Fire Protection District  
Hercules, California

### ***Report on Financial Statements***

We have audited the accompanying financial statements of the governmental activities and each major fund, of the Rodeo - Hercules Fire Protection District, (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund, of the Rodeo - Hercules Fire Protection District as of June 30, 2018 and the respective changes in financial position and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, pension and other post employment benefit tables be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rodeo - Hercules Fire Protection District, California's basic financial statements. The Supplemental Information as listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated January 30, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

*Harshwal & Company LLP*

**Oakland, California  
January 30, 2019**

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR FISCAL YEAR ENDED JUNE 30, 2018**

Our discussion and analysis of the Rodeo - Hercules Fire Protection District (District) provides the reader with an overview of the District's financial position and performance for the period ending June 30, 2018. The Management's Discussion & Analysis (MD&A) describes the significant changes that occurred in general operations and discusses the activities during the year for capital assets and long-term debt. The discussion concludes with a description of currently known facts, decisions and conditions that are expected to impact the financial position of the District's operations. We encourage the reader to consider the information presented here in conjunction with the additional information furnished in our letter of transmittal.

**FINANCIAL HIGHLIGHTS**

**Government-Wide Financial Statements**

- The District ended its fiscal year with negative net position of \$15,127,012.
- The total Program Expenses were \$6,912,051.
- The total Program Revenues were \$1,014,213.
- The total General Revenues were \$7,555,045.
- The change in Net Position represents an increase of \$1,657,207.

**Fund Financial Statements**

- The General Fund operating revenues were less than its expenses leaving a fund balance of \$1,238,910.
- The Hercules Fire Impact Fund revenues exceeded its expenses leaving a fund balance of \$244,404.
- The Rodeo Fire Impact Fund revenues exceeded operating expenses leaving a fund balance of \$21,832.
- The Capital Projects #1 Fund operating revenues exceeded expenses leaving a fund balance of \$96,707.
- Measure O Parcel Tax Fund had \$2,429,757 in revenues.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$1,238,910; the Hercules Fire Impact Fund was \$244,404; the Rodeo Fire Impact Fund was \$21,832; the Capital Projects No. 1 was \$96,707; the Measure O Parcel Tax Fund was \$1,108,215. In addition, the District has a line of credit funding source with the Kansas State Bank with a debt service fund balance of \$88,173.

## **ANNUAL REPORT OVERVIEW**

This annual report consists of a series of financial statements. The District's Basic Financial Statements are comprised of two components: Government-Wide Financial Statements and Fund Financial Statements.

### **Government-Wide Financial Statements**

The *Government-Wide Financial Statements* provide the reader with a longer-term view of the District's activities as a whole and comprise the Statement of Net Position and Statement of Activities. The manner of presentation is similar to a private-sector business.

The *Statement of Net Position* presents information about the financial position of the District as a whole, including all its capital assets and long-term liabilities on the full accrual basis of accounting. Over time, increases or decreases in Net Position is one indicator in monitoring the financial health of the District.

The *Statement of Activities* provides information about all the District's revenues and expenditures on the full accrual basis of accounting, with the emphasis on measuring net revenues or expenditures of each specific program. This statement explains in detail the change in Net Position for the year.

All of the District's activities in the Government-Wide Financial Statements are principally supported by taxes, intergovernmental revenues, benefit assessments, fire impact fees and inspection fees. The governmental activities of the District include fire protection and interest on long-term debt.

### **Fund Financial Statements**

The fund financial statements are designed to report information about groupings of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A *fund* is a fiscal and accounting entity with a self-balancing set of accounts that the District uses to keep track of specific resources of funding and spending for a particular purpose.

All of the District's basic services are considered to be governmental activities. The District's services are supported by general District revenues such as taxes, benefit assessments, developer impact fees and inspection fees. In the District's case, the five funds (General Fund, two Capital Projects Funds and two Developer Impact Fees) are presented individually.

The *Governmental Funds* focus on how money flows into and out of the fund and the balance left at year-end available for spending. These funds are reported using an accounting method called the *modified accrual* basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

**FINANCIAL ACTIVITIES OF THE DISTRICT AS A WHOLE**

This analysis focuses on the Net Position and changes in Net Position of the District's Governmental Activities, as presented in the Government-Wide Statement of Net Position and Statement of Activities as follows:

**Table 1  
Net Position  
Governmental Activities**

	<u>2017-2018</u>	<u>2016-2017</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>Assets</b>				
Current assets	\$ 2,219,449	\$ 1,010,671	\$ 1,208,778	119.6 %
Noncurrent Assets	88,173	88,173		%
Capital assets	<u>2,207,590</u>	<u>1,976,343</u>	<u>231,247</u>	<u>11.7 %</u>
Total assets	<u>4,515,212</u>	<u>3,075,187</u>	<u>1,440,025</u>	<u>46.8 %</u>
<b>Deferred Outflows of Resources</b>				
Related to pension	<u>2,476,737</u>	<u>3,276,927</u>	<u>(800,190)</u>	<u>(24.4)%</u>
<b>Liabilities</b>				
Current liabilities	623,439	549,188	74,251	13.5 %
Noncurrent liabilities	<u>15,799,596</u>	<u>17,831,252</u>	<u>(2,031,656)</u>	<u>(11.4)%</u>
Total liabilities	<u>16,423,035</u>	<u>18,380,440</u>	<u>(1,957,405)</u>	<u>(10.6)%</u>
<b>Deferred Inflows of Resources</b>				
Related to pension	<u>5,726,315</u>	<u>4,003,406</u>	<u>1,722,909</u>	<u>43.0 %</u>
<b>Net Position</b>				
Invested in capital assets, net of related debt	1,909,447	1,609,181	300,266	18.7 %
Restricted for:				
Special projects and programs	266,236	136,567	129,669	94.9 %
Debt Service	88,173	88,173	-	- %
Unrestricted (as restated)	<u>(17,390,868)</u>	<u>(17,865,653)</u>	<u>474,785</u>	<u>2.7 %</u>
Total Net Position	<u><u>\$(15,127,012)</u></u>	<u><u>\$(16,031,732)</u></u>	<u><u>\$ 904,720</u></u>	<u><u>5.6 %</u></u>

**FINANCIAL ACTIVITIES OF THE DISTRICT AS A WHOLE, (Continued)**

**Table 2  
Statement of Activities  
Governmental Activities**

	<u>2017-2018</u>	<u>2016-2017</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>Expenses</b>				
Public safety - fire protection	<u>\$ 6,912,051</u>	<u>\$ 6,809,586</u>	<u>\$ 102,465</u>	<u>1.5 %</u>
Total Program Expenses:	<u>6,912,051</u>	<u>6,809,586</u>	<u>102,465</u>	<u>1.5 %</u>
<b>Revenues</b>				
Program revenues:				
Charges for Services	1,014,213	352,276	661,937	187.9 %
General revenues:				
Property taxes	7,386,286	5,452,543	1,933,743	35.5 %
Hercules development fees	165,326	57,088	108,238	189.6 %
Investment earnings	3,237	969	2,268	234.1 %
Miscellaneous	<u>196</u>	<u>1,002,897</u>	<u>(1,002,701)</u>	<u>(100.0)%</u>
Total Revenues	<u>8,569,258</u>	<u>6,865,773</u>	<u>1,703,485</u>	<u>24.8 %</u>
Changes in net position	<u>1,657,207</u>	<u>56,187</u>	<u>\$ 1,601,020</u>	<u>2,849.4 %</u>
Net position - beginning of year	(16,031,732)	(16,087,919)		
Prior Period Adjustments	<u>(752,487)</u>	<u>-</u>		
Net position - beginning of year, as restated	<u>(16,784,219)</u>	<u>(16,087,919)</u>		
Net position - end of year	<u>\$ (15,127,012)</u>	<u>\$ (16,031,732)</u>		

*Expenses*

The Public Safety expenses totaled to \$7,341,655 for fiscal year ending 2018. In addition, depreciation expense, in the amount of \$216,301, was recognized. The remaining expenses are categorized as materials and services and capital projects.

*Program Revenues*

In the category of "Capital Grants and Contributions," due to the City of Hercules financial crisis, the District did not receive its annual RDA Pass-Through from the City of Hercules for the years 2010-11 through 2017-18 in the total amount of \$820,881, as of June 30, 2018.

During the fiscal year ended June 30, 2018, the District also received funding through the District's Measure "O" in amount of \$2,429,757. The proceeds of the special tax funding replacement measure imposed by this ordinance could be used solely for any lawful purpose permissible to Fire District's pursuant to California Health and Safety Code section 13800 et seq.



## **FINANCIAL ACTIVITIES OF THE DISTRICT AS A WHOLE, (Continued)**

The District also received a financial assistance as submitted under the fiscal year 2016 Assistance to Firefighters Grant in amount of \$450,450, which was totally used to acquire fire fighting equipments.

The District also received funding in the miscellaneous category from the Contra Costa County (CCC) Emergency Medical Services through CCC's Measure "H" funding for its annual allotment for First Responder funding in amount of \$85,593. The balance of miscellaneous revenue consists of other charges for service.

The program revenues that fall under the category of "Charges for Service" include revenues for inspection fees, weed abatement charges, and reports/photocopies.

### *General Revenues*

The primary source of revenue for the operation of the Rodeo - Hercules Fire Protection District is generated through the collection of secured, unsecured, and supplemental property and parcel taxes. During the last fiscal year, the overall assessed valuation increased by 0.1%. This increase reflects the increase in assessed valuations in the City of Hercules and Town of Rodeo. A considerable portion of the District's potential revenues falls within the City of Hercules Redevelopment Area of which the District is entitled to receive a portion of the pass-through property tax revenues. However, due to the City of Hercules' financial crisis, the District did not receive its pass-through monies in fiscal years 2010/11 through 2017/18, as stated above.

## **Fund Financial Statements**

### *Governmental Funds*

At June 30, 2018, the District's governmental funds reported combined fund balances of \$1,834,117, which is an increase of \$1,147,202 compared with the prior year.

### *Major Analyses of Governmental Funds*

#### *General Fund*

The General Fund is the general operating fund of the District. It is used to account for all financial resources. The major revenue sources are property taxes and benefit assessments.

Overall, the General Fund expenditures increased by 2.01% from last year.

## **CAPITAL ASSETS**

At the end of fiscal year 2018, the District had \$2,207,590 in net capital assets. The following table identifies the specific governmental activity:

**Table 3**  
**Capital Assets at Year-End**  
**Governmental Activities**

	<u>2017-2018</u>	<u>2016-2017</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
<b>Expenses</b>				
Land	\$ 7,437	\$ 7,437	\$ -	- %
Buildings and improvements	1,096,448	1,096,448	-	- %
Equipment	5,578,720	5,131,172	447,548	8.7 %
Less accumulated depreciation	<u>(4,475,015)</u>	<u>(4,258,714)</u>	<u>(216,301)</u>	<u>5.1 %</u>
Capital Assets:	<u>\$ 2,207,590</u>	<u>\$ 1,976,343</u>	<u>\$ 231,247</u>	<u>11.7 %</u>

All the capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. All capital assets are depreciated over their estimated useful lives, using the straight line method. See Note 1 in the basic financial statement for more detailed analyses.

## **ECONOMIC OUTLOOK AND MAJOR INITIATIVES**

In past years, the District's assessed values have decreased but the District expects this trend to level out in future years without any significant increase or decrease in assessed values. Financial planning is based on specific assumptions from recent trends in real property values, new commercial and residential development, State of California economic forecasts and historical growth patterns in the various tax rate areas in the Rodeo - Hercules Fire Protection District.

The economic condition of the Rodeo - Hercules Fire Protection District as it appears on the balance sheet reflects financial stability for future years as the District has made significant reductions in expenditures and has made efforts to increase its revenues. The District received a FEMA grant for the last three years, which allowed the District to be able to fully staff two of its stations. The FEMA grant expired prior to the start of the 2017/18 fiscal year. However, Measure O parcel tax allowed the District to keep both stations open upon the expiration of the FEMA Safer Grant and the 2014 benefit assessment.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

These Basic Financial Statements are intended to provide citizens, taxpayers, investors, and creditors with a general overview of the District's finances. Questions about this report should be directed to the Administrative Offices of the Rodeo - Hercules Fire Protection District, 1680 Refugio Valley Road, Hercules, CA 94547 (510) 799-4561.

## **BASIC FINANCIAL STATEMENTS**

## **STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES**

The Statement of Net Position and the Statement of Activities summarizes the entire District's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the District's assets and deferred outflows, and all of its liabilities and deferred inflows, as well as all its revenues and expenses. This is known as the full accrual basis-the effect of all the District's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between District funds have been eliminated.

The Statement of Net Position reports the difference between the District's total assets and deferred outflows and the District's total liabilities and deferred inflows, including all the District's capital assets and its long-term liabilities. The Statement of Net Position presents similar information to the old balance sheet format, but presents it in a way that focuses the reader on the composition of the District's net position, by subtracting total liabilities from total assets.

The Statement of Net Position summarizes the financial position of all of the District's Governmental Activities in a single column. The District's Governmental Activities include the activities of its General Fund, Special Revenue and Capital Projects funds.

The Statement of Activities reports increases and decreases in the District's net position. It is also prepared on the full accrual basis, which means it includes all the District's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

The Statement of Activities presents the District's expenses first, listed by program. Program revenues, that is, revenues which are generated directly by these programs-are then deducted from program expenses to arrive at the net expense of each governmental program. The District's general revenues are then listed in the Governmental Activities column, as appropriate, and the Change in Net Position is computed and reconciled with the Statement of Net Position.

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets:	
Cash and investments (Note 2)	\$ 2,158,184
Accounts receivable	29,886
Due from other governments	<u>31,379</u>
Total Current Assets	<u>2,219,449</u>
Noncurrent Assets:	
Other assets:	
Restricted cash (Note 2 and 4)	<u>88,173</u>
Total other assets	<u>88,173</u>
Capital assets (Note 3):	
Non-depreciable	7,437
Depreciable capital assets, net	<u>2,200,153</u>
Total capital assets, net of accumulated depreciation	<u>2,207,590</u>
Total Noncurrent Assets	<u>2,295,763</u>
Total Assets	<u>4,515,212</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to pension (Note 6)	2,476,737
Related to other post employment benefit plan (Note 7)	<u>30,389</u>
Total Deferred Outflows of Resources	<u>\$ 2,507,126</u>

... Continued

See accompanying notes to basic financial statements

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	<u>Governmental Activities</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	\$ 473,505
Compensated absences, due within one year (Note 1 G)	78,776
Lines of credit, due within one year (Note 4)	<u>71,158</u>
Total Current Liabilities	<u>623,439</u>
Noncurrent Liabilities:	
Compensated absences, due in more than one year (Note 1 G)	183,811
Lines of credit, due in more than one year (Note 4)	226,985
Other post employment benefit obligations (Note 8B)	3,695,626
Net pension liability (Note 6)	<u>11,693,174</u>
Total Noncurrent Liabilities	<u>15,799,596</u>
Total Liabilities	<u>16,423,035</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to pension (Note 6)	<u>5,726,315</u>
<b>NET POSITION (DEFICIT) (Note 5)</b>	
Net investment in capital assets	1,909,447
Restricted for:	
Special projects and programs	266,236
Debt Service	88,173
Unrestricted	<u>(17,390,868)</u>
Total Net Position (Deficit)	<u><u>\$ (15,127,012)</u></u>

See accompanying notes to basic financial statements

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues	Governmental Activities Net (Expenses) Revenues
		Operating Grants and Contributions	
Governmental Activities:			
Fire protection	\$ 6,912,051	\$ 1,014,213	\$ (5,897,838)
Total Governmental Activities	<u>\$ 6,912,051</u>	<u>\$ 1,014,213</u>	<u>(5,897,838)</u>
General Revenues (Expenses):			
Property tax			7,355,786
Home owner property tax relief			30,500
Hercules development fees			165,326
Investment earnings			3,237
Miscellaneous			<u>196</u>
Total General Revenues			<u>7,555,045</u>
Change in Net Position			<u>1,657,207</u>
Net Position (Deficit) Beginning			(16,031,732)
Prior Period Adjustments			<u>(752,487)</u>
Net Position (Deficit) Beginning, as restated			<u>(16,784,219)</u>
Net Position (Deficit) Ending			<u>\$ (15,127,012)</u>

See accompanying notes to basic financial statements

**FUND FINANCIAL STATEMENTS**



## **FUND FINANCIAL STATEMENTS**

Major funds are defined generally as having significant activities or balances in the current year. The District considers all of its funds to be major funds which are described below:

### **GENERAL FUND**

The General Fund is the general operating fund of the District. It is used to account for all financial resources. The major revenue sources for this Fund are property taxes and grants. Expenditures are made for public safety and other operating expenditures.

### **HERCULES FIRE IMPACT FEE SPECIAL REVENUE FUND**

The Hercules Fire Impact Fee Fund is used to receive fees collected from the City of Hercules.

### **RODEO FIRE IMPACT FEE SPECIAL REVENUE FUND**

The Rodeo Fire Impact Fee Special Revenue Fund is used to receive fees collected from the Town of Rodeo.

### **MEASURE O PARCEL TAX SPECIAL REVENUE FUND**

The Measure O Parcel Tax Revenue Fund is used to receive and to account for the proceeds of Measure "O" special tax funding.

### **CAPITAL PROJECTS #1 FUND**

The Capital Projects # 1 Fund is used to account for the District's capital budget.

### **DEBT SERVICE FUND**

The Debt Service Fund is used to account for the proceeds from a line of credit and payments made to vendors related to authorized capital projects.

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2018**

	<u>General</u>	<u>Hercules Fire Impact Fee Special Revenue</u>	<u>Rodeo Fire Impact Fee Special Revenue</u>	<u>Measure O Parcel Tax Special Revenue</u>
<b>ASSETS</b>				
Cash and investments (Note 2)	\$ 687,023	\$ 244,404	\$ 21,833	\$ 1,108,215
Restricted cash (Note 2 & 4)	-	-	-	-
Accounts receivable	29,886	-	-	-
Due from other governments	31,379	-	-	-
Due from other funds	<u>964,126</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>1,712,414</u>	<u>244,404</u>	<u>21,833</u>	<u>1,108,215</u>
<b>LIABILITIES</b>				
Accounts payable	473,504	-	1	-
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>964,124</u>
Total Liabilities	<u>473,504</u>	<u>-</u>	<u>1</u>	<u>964,124</u>
<b>FUND BALANCES</b>				
Fund Balances (Note 5):				
Restricted	-	244,404	21,832	-
Assigned	197,108	-	-	144,091
Unassigned	<u>1,041,802</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>1,238,910</u>	<u>244,404</u>	<u>21,832</u>	<u>144,091</u>
Total Liabilities and Fund Balances	<u>\$ 1,712,414</u>	<u>\$ 244,404</u>	<u>\$ 21,833</u>	<u>\$ 1,108,215</u>

See accompanying notes to basic financial statements

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2018**

	<u>Capital Projects #1</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and investments (Note 2)	\$ 96,709	\$ -	\$ 2,158,184
Restricted cash (Note 2 & 4)	-	88,173	88,173
Accounts receivable	-	-	29,886
Due from other governments	-	-	31,379
Due from other funds	<u>-</u>	<u>-</u>	<u>964,126</u>
Total Assets	<u>96,709</u>	<u>88,173</u>	<u>3,271,748</u>
<b>LIABILITIES</b>			
Accounts payable	-	-	473,505
Due to other funds	<u>2</u>	<u>-</u>	<u>964,126</u>
Total Liabilities	<u>2</u>	<u>-</u>	<u>1,437,631</u>
<b>FUND BALANCES</b>			
Fund Balances (Note 5):			
Restricted	-	88,173	354,409
Assigned	96,707	-	437,906
Unassigned	<u>-</u>	<u>-</u>	<u>1,041,802</u>
Total Fund Balances	<u>96,707</u>	<u>88,173</u>	<u>1,834,117</u>
Total Liabilities and Fund Balances	<u>\$ 96,709</u>	<u>\$ 88,173</u>	<u>\$ 3,271,748</u>

See accompanying notes to basic financial statements

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET WITH THE STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

Total fund balances reported on the governmental funds balance sheet \$ 1,834,117

Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.

Non-depreciable capital assets	7,437
Depreciable capital assets, net	2,200,153

Certain liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.

Compensated absences payable, due within one year	(78,776)
Compensated absences payable, due in more than one year	(183,811)
Collective other post employment benefits and deferred outflows	(3,665,237)
Collective net pension liability and deferred inflows and outflows	(14,942,752)
Lines of credit, due within one year	(71,158)
Lines of credit, due in more than one year	<u>(226,985)</u>

NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (15,127,012)</u></u>
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**RODEO - HERCULES FIRE PROTECTION DISTRICT**

**GOVERNMENTAL FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>General</u>	<u>Hercules Fire Impact Fee Special Revenue</u>	<u>Rodeo Fire Impact Fee Special Revenue</u>	<u>Measure O Parcel Tax Special Revenue</u>
<b>REVENUES:</b>				
District taxes	\$ 4,926,029	\$ -	\$ -	\$ 2,429,757
Home owner property tax relief	30,500	-	-	-
Intergovernmental revenue	1,014,213	-	-	-
Hercules development fees	-	165,326	-	-
Use of money and property	-	-	2,107	-
Other	<u>196</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>5,970,938</u>	<u>165,326</u>	<u>2,107</u>	<u>2,429,757</u>
<b>EXPENDITURES:</b>				
Current:				
Public safety-fire protection	7,294,088	37,760	4	9,795
Debt service:				
Principal	-	-	-	-
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>7,294,088</u>	<u>37,760</u>	<u>4</u>	<u>9,795</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(1,323,150)</b>	<b>127,566</b>	<b>2,103</b>	<b>2,419,962</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	2,397,961	-	-	-
Transfers out	<u>(80,401)</u>	<u>-</u>	<u>-</u>	<u>(2,397,966)</u>
Total Other Financing Sources	<u>2,317,560</u>	<u>-</u>	<u>-</u>	<u>(2,397,966)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<b>994,410</b>	<b>127,566</b>	<b>2,103</b>	<b>21,996</b>
Fund balances at beginning of year	<u>244,500</u>	<u>116,838</u>	<u>19,729</u>	<u>122,095</u>
Fund balances, at end of year	<u><u>\$ 1,238,910</u></u>	<u><u>\$ 244,404</u></u>	<u><u>\$ 21,832</u></u>	<u><u>\$ 144,091</u></u>

See accompanying notes to basic financial statements

**RODEO - HERCULES FIRE PROTECTION DISTRICT**

**GOVERNMENTAL FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Capital Projects #1</u>	<u>Debt Service</u>	<u>Total Government al Funds</u>
<b>REVENUES:</b>			
District taxes	\$ -	\$ -	\$ 7,355,786
Home owner property tax relief	-	-	30,500
Intergovernmental revenue	-	-	1,014,213
Hercules development fees	-	-	165,326
Use of money and property	1,130	-	3,237
Other	<u>-</u>	<u>-</u>	<u>196</u>
Total Revenues	<u>1,130</u>	<u>-</u>	<u>8,569,258</u>
<b>EXPENDITURES:</b>			
Current:			
Public safety-fire protection	8	-	7,341,655
Debt service:			
Principal	-	69,019	69,019
Interest	<u>-</u>	<u>11,382</u>	<u>11,382</u>
Total Expenditures	<u>8</u>	<u>80,401</u>	<u>7,422,056</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	1,122	(80,401)	1,147,202
<b>OTHER FINANCING SOURCES</b>			
Transfers in	5	80,401	2,478,367
Transfers out	<u>-</u>	<u>-</u>	<u>(2,478,367)</u>
Total Other Financing Sources	<u>5</u>	<u>80,401</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	1,127	-	1,147,202
Fund balances at beginning of year	<u>95,580</u>	<u>88,173</u>	<u>686,915</u>
Fund balances, at end of year	<u><u>\$ 96,707</u></u>	<u><u>\$ 88,173</u></u>	<u><u>\$ 1,834,117</u></u>

See accompanying notes to basic financial statements

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**RECONCILIATION OF THE NET CHANGE IN FUND BALANCES**  
**TOTAL GOVERNMENTAL FUNDS WITH THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

The schedule below reconciles the Net Change in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 1,147,202
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Capitalized expenditures are added back to fund balance	447,548
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds.	(216,301)

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Compensated absences	(35,122)
Other post employment benefits	(231,972)
Pension expense	476,833
Repayment of principal	<u>69,019</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,657,207</u>
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**RODEO - HERCULES FIRE PROTECTION DISTRICT**

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES:				
District taxes	\$ 4,493,670	\$ 4,489,211	\$ 4,926,029	\$ 436,818
Home owner property tax relief	30,945	30,945	30,500	(445)
Intergovernmental revenue	443,896	477,976	1,014,213	536,237
Other	<u>-</u>	<u>-</u>	<u>196</u>	<u>196</u>
Total Revenues	<u>4,968,511</u>	<u>4,998,132</u>	<u>5,970,938</u>	<u>972,806</u>
EXPENDITURES:				
Current:				
Public safety-fire protection	<u>7,086,551</u>	<u>6,803,913</u>	<u>7,294,088</u>	<u>490,175</u>
Total Expenditures	<u>7,086,551</u>	<u>6,803,913</u>	<u>7,294,088</u>	<u>490,175</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,118,040)	(1,805,781)	(1,323,150)	482,631
OTHER FINANCING SOURCES				
Transfers in	2,446,000	2,429,756	2,397,961	(31,795)
Transfers out	<u>-</u>	<u>-</u>	<u>(80,401)</u>	<u>(80,401)</u>
Total Other Financing Sources	<u>2,446,000</u>	<u>2,429,756</u>	<u>2,317,560</u>	<u>(112,196)</u>
NET CHANGE IN FUND BALANCES	<u>\$ 327,960</u>	<u>\$ 623,975</u>	994,410	<u>\$ 370,435</u>
Fund balances at beginning of year			<u>244,500</u>	
Fund balances, at end of year			<u>\$ 1,238,910</u>	

See accompanying notes to basic financial statements



**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The District is an autonomous district governed by a five (5) member Board of Directors elected at large by the voters of the District. The District covers an area of approximately 25 square miles and includes the unincorporated Town of Rodeo and City of Hercules.

The financial statements of the District consist only of the funds of the District. The District has no oversight responsibility for any other government entity since no other entities are considered to be controlled by or dependent on the District. Control or dependence is determined on the basis of the respective governing board. The governing board has decision making authority, the power to designate management, and the ability to significantly influence operations and primary accountability for fiscal matters.

The District maintains its headquarters at 1680 Refugio Valley Road, Hercules, California 94547.

**B. Basis of Presentation**

The District's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

These Statements require that the financial statements described below be presented.

***Government-wide Statements:*** The Statement of Net Position and the Statement of Activities display information about the primary government (the District). These statements include the financial activities of the overall District government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. District expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) capital grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

***Fund Financial Statements:*** The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major individual governmental funds, each of which is displayed in a separate column.

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)**

**C. Major Funds**

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The District may also select other funds it believes should be presented as major funds.

The District has elected to report all of its funds as major governmental funds in the accompanying financial statements:

**General Fund** - is the general operating fund of the Rodeo-Hercules Fire Protection District. It is used to account for all financial resources. The major revenue sources for this Fund are property taxes, ambulance service revenues and interest income. Expenditures are made for public safety and other operating expenditures.

**Hercules Fire Impact Fee Special Revenue Fund** - is used to receive fees collected from the City of Hercules.

**Rodeo Fire Impact Fee Special Revenue Fund** - is used to receive fees collected from the City of Rodeo.

**Measure O Parcel Tax Revenue Fund** - is used to receive fire assessment fees.

**Capital Projects #1 Fund** - is used to account for the District's Rodeo-Hercules Fire Protection District capital budget.

**Debt Service Fund** - is used to account for the District's line of credit.

**D. Basis of Accounting**

The government-wide financial statements are reported using the *economic resources measurement focus* and the full *accrual* basis of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as expenditures in governmental funds.

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)**

Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The District may fund programs with a combination of cost-reimbursement grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures. The District's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

**E. Budgets and Budgetary Accounting**

The Board of Directors follow the following procedures establishing the budgetary data reflected on the financial statement:

- (1) Proposed budget is received by Chief of the District and Board Members.
- (2) Public hearings are conducted to obtain taxpayer comment.
- (3) Formal budgetary integration is employed as a management control device during the year for the General Fund.
- (4) There is no formal budget of revenue as the revenue amount to be received is the previous year's fund balance, plus property tax revenues to be received, less the expense budget.
- (5) The budgets for the General Fund and the Capital Projects #1 Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- (6) The Board of Directors requires the adoption of a summary budget for the General Fund.
- (7) Appropriations lapse at the end of each fiscal year.

The District's General Fund expenditures exceeded budget by \$490,175, primarily due to an increase in payments made to utilize the money received through the Assistance to Firefighters Grant to acquire new firefighting equipment.

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)**

**F. Property Taxes and Special Assessment Revenue**

Revenue is recognized in the fiscal year for which the tax and assessment is levied. The County of Contra Costa levies, bills and collects property taxes and special assessment for the District; the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1 of the preceding fiscal year.

Secured property tax is due in two installments, on November 1 and February 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1 and becomes delinquent on August 31.

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the personal property being taxed.

Property tax revenue is recognized in the fiscal year for which the tax is levied. The County distributes property tax (termed "settlements") under the Teeter Plan, which allows the District to receive all property taxes in the year in which they are levied. The County retains any collections of interest, penalties and delinquencies under this plan. A settlement apportionment for 95% of unsecured property taxes is received in October, with the remainder distributed in June. Secured property taxes are received in three settlements and apportioned as follows: 55% in December, 40% in April and 5% in June.

**G. Accumulated Compensated Absences**

Compensated absences comprise unpaid vacation leave and compensated time off. The District's liability for compensated absences is recorded in the Statement of Net Position. The liability for compensated absences is determined annually and is primarily liquidated in the General Fund. District employees may accrue up to 72 hours of unpaid overtime and may sell up to 24 hours of unpaid overtime and up to 48 hours of vacation time to the District.

**H. Capital Assets and Depreciation**

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. Capital assets with a minimum value of \$5,000 or a useful life of at least one year can be recorded as capital assets.

Capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)**

Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The District has assigned the useful lives listed below to capital assets:

<u>Description</u>	<u>Years</u>	<u>Description</u>	<u>Years</u>
Grounds Improvement	20	Communication Equipment	10
Buildings	50	Computer Hardware	5
Machinery & Tools	15	Audio Visual Equipment	10
Custodial Equipment	15	Athletic Equipment	10
Furniture & Accessories	20	Fire Trucks	15
Business Machines	10	Vehicles	15
Copiers	5		

**I. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and balance sheets reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has only pension related items in this category.

In addition to liabilities, the statement of net position and balance sheets reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as inflow of resources (revenue) until that time. The District has only pension related items in this category.

**J. Use of Estimates**

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**K. Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)**

generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs - other than quoted prices included within level 1 - that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**Note 2 - CASH AND INVESTMENTS**

**A. Policies**

California law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the District's cash on deposit or first trust deed mortgage notes with a value of 150% of the District's cash on deposit as collateral for these deposits. Under California law, this collateral is held in a separate investment pool by another institution in the District's name and places the District ahead of general creditors of the institution. The District has waived collateral requirements for the portion of deposits covered by federal deposit insurance.

**B. Classification**

The District's investments are carried at fair value as required by generally accepted accounting principles. The District adjusts the carrying value of its investments to reflect their fair value monthly, and it includes the effects of these adjustments in income for that fiscal year.

Cash and investments were as follows at June 30, 2018:

Unrestricted cash and investments:	
Cash deposits with the County	\$ 2,049,799
Petty cash	400
LAIF	<u>107,985</u>
Total unrestricted cash and investments	<u>2,158,184</u>
Restricted cash and investments:	
Cash in bank - held by	
Kansas State Bank of Manhattan	<u>88,173</u>
Total restricted cash and investments	<u>88,173</u>
Total cash and investments	<u>\$ 2,246,357</u>

**C. Investment in County Treasury**

The District is considered to be a voluntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements in cash and cash equivalents at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 2 - CASH AND INVESTMENTS, (Continued)**

**D. Local Agency Investment Fund (LAIF)**

At June 30, 2018, the District had \$107,985 invested in LAIF. The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The District's investments with LAIF at June 30, 2018, include a portion of the pool funds invested in structured notes and asset-backed securities. These investments matured in an average of 193 days.

**E. Fair Value Hierarchy**

GASB Statement No. 72, fair Value Measurement and Application, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). However, the investments in an external investment pool are not subject to reporting within the level hierarchy.

The California Local Agency Investment Fund is valued using the fair value factor provided by the Treasurer of the State of California, which is calculated as the fair value divided by the amortized cost of the investment pool. Fair value is defined as the quoted market value on the last trading day of the period. As of June 30, 2018, the aforementioned fair value factor was 0.99813.



**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**Note 3 - CAPITAL ASSETS**

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2018</u>
Governmental Activities:			
Capital assets not being depreciated:			
Land	\$ 7,437	\$ -	\$ 7,437
Total capital assets not being depreciated	<u>7,437</u>	<u>-</u>	<u>7,437</u>
Capital assets being depreciated:			
Structures and improvements	1,096,448	-	1,096,448
Equipment and vehicles	<u>5,131,172</u>	<u>447,548</u>	<u>5,578,720</u>
Total capital assets being depreciated	<u>6,227,620</u>	<u>447,548</u>	<u>6,675,168</u>
Less accumulated depreciation:			
Structures and improvements	(433,831)	(21,929)	(455,760)
Equipment and vehicles	<u>(3,824,883)</u>	<u>(194,372)</u>	<u>(4,019,255)</u>
Total accumulated depreciation	<u>(4,258,714)</u>	<u>(216,301)</u>	<u>(4,475,015)</u>
Total depreciable assets	<u>1,968,906</u>	<u>231,247</u>	<u>2,200,153</u>
Governmental activity capital assets, net	<u>\$ 1,976,343</u>	<u>\$ 231,247</u>	<u>\$ 2,207,590</u>

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**Note 4 - LINES OF CREDIT**

On October 9, 2012, the District entered into a Government Obligation Contract (line of credit) with Kansas State Bank of Manhattan (Bank) to borrow \$703,500 for the purchase of one rescue pumper and three command vehicles. The remaining principal and interest (3.4% per year) is payable annually over the next ten years, maturing on October 15, 2021, and are payable from general District revenues.

During fiscal year 2017-2018, the District paid \$69,019 in principal payments. As of June 30, 2018, the District maintained funds held in an escrow account held by the Bank, shown on the Statement of Net Position and Balance Sheet as "restricted cash" in the amount of \$88,173.

The lines of credit mature as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 71,158	\$ 9,242	\$ 80,400
2020	73,364	7,037	80,401
2021	75,638	4,762	80,400
2022	<u>77,983</u>	<u>2,417</u>	<u>80,400</u>
	<u>\$ 298,143</u>	<u>\$ 23,458</u>	<u>\$ 321,601</u>

**Note 5 - NET POSITION AND FUND BALANCES**

Net Position is on the full accrual basis while Fund Balances are measured on the modified accrual basis.

**A. Net Position**

Net Position is the excess of all the District's assets and deferred outflows over all its liabilities and deferred inflows, regardless of fund. Net Position is divided into three captions. These captions apply only to Net Position, which is determined only at the Government-wide level, and are described below:

Net Investment in Capital Assets describes the portion of Net Position which is represented by the current net book value of the District's capital assets.

*Restricted* describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter. These principally include debt service and acquisition and construction of facilities and equipment.

*Unrestricted* describes the portion of Net Position which is not restricted to use.

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 5 - NET POSITION AND FUND BALANCES, (Continued)**

**B. Fund Balance**

The District's fund balances are classified in accordance with Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which requires the District to classify its fund balances based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the District prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

*Nonspendables* represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then Nonspendable amounts are required to be presented as a component of the applicable category.

*Restricted* fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

*Committed* fund balances have constraints imposed by formal action of the Board of Directors which may be altered only by formal action of the Board of Directors. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources.

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 5 - NET POSITION AND FUND BALANCES, (Continued)**

*Assigned* fund balances are amounts constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the Board of Directors or its designee and may be changed at the discretion of the Board of Directors or its designee. This category includes encumbrances; Nonspendables, when it is the District's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

*Unassigned* fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

**Note 6 - PENSION PLAN**

***Plan Descriptions*** - The District participates in the Contra Costa County Employees' Retirement Association (CCCERA), a cost-sharing multiple employer defined benefit pension plan. CCCERA is governed by the County Employees' Retirement Law of 1937 (California Government Code Section 31450 et. seq), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures, and policies adopted by CCCERA's Board of Retirement. It provides benefits upon retirement, death or disability of members, and covers substantially all of the employees of the County of Contra Costa and sixteen other member agencies.

***Benefits Provided*** - Benefits are based on years of credited service, equal to one year of full time employment. Members may elect service retirement at age of 50 with 10 years of service credit, age 70 regardless of service, or with thirty years of service, regardless of age.

Benefits are administered by the Board under the provision of the 1937 Act. Annual cost-of living adjustments (COLA) to retirement benefits may be granted by the Board as provided by State statutes. Services retirements are based on age, length of service and final average salary. Employees may withdraw contributions, plus interest credited, or leave them on deposit for a deferred retirement when they terminate or transfer to a reciprocal retirement system.

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 6 - PENSION PLAN, (Continued)**

The plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	<u>Miscellaneous</u>	
	<u>Prior to</u> <u>January 1, 2013</u>	<u>On or after</u> <u>January 1, 2013</u>
Hire Date		
Benefit formula	2% @ 55	2.5% @ 67
Benefit vesting schedule	10 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	52
Monthly benefits, as a% of eligible compensation	0% to 100%	0% to 100%
Required employee contribution rates	14.39%	10.86%
Required employer contribution rates	29.79%	26.50%

	<u>Safety</u>	
	<u>Prior to</u> <u>January 1, 2013</u>	<u>On or after</u> <u>January 1, 2013</u>
Hire Date		
Benefit formula	2% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	50
Monthly benefits, as a% of eligible compensation	0% to 100%	0% to 100%
Required employee contribution rates	21.50%	17.06%
Required employer contribution rates	17.68%	11.96%

**Contributions** - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 6 - PENSION PLAN, (Continued)**

For the year ended June 30, 2018, the contributions recognized as part of pension expense for each plan were as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Contributions - employer	\$ -	\$ 474,590

***Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions***

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the net pension liability of each plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	67,554
Safety	11,625,620
Total Net Pension Liability	\$ 11,693,174

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the plans is measured as of December 31, 2017, and the total pension liability for each plan used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each plan as of December 31, 2014 through 2018 was as follows:

<u>Reporting Date for Employer under GASB 68 as of December 31,</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate share of Net Pension Liability</u>	<u>Covered- employee payroll</u>	<u>Proportionate share of the Net Pension Liability as a percentage of it's covered- employee payroll</u>	<u>Plan Fiduciary Net Pension as a percentage of the Total Pension Liability</u>
2014	1.129%	\$16,612,346	\$1,766,704	940.30%	59.86%
2015	1.129%	13,499,212	2,069,510	652.29%	65.89%
2016	1.012%	15,252,152	2,342,844	651.01%	63.59%
2017	1.049%	14,693,106	2,241,786	655.42%	66.55%
2018	1.441%	11,693,174	2,194,605	532.81%	74.20%

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 6 - PENSION PLAN, (Continued)**

For the year ended June 30, 2018, the District recognized a negative pension expense of \$2,243. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 260,381	\$ -
Differences between actual and expected experience	-	(1,152,817)
Changes in assumptions	352,623	(143)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	1,863,733	(1,558,600)
Net differences between projected and actual earnings on plan investments	<u>-</u>	<u>(3,014,755)</u>
Total	<u>\$ 2,476,737</u>	<u>\$ (5,726,315)</u>

The \$260,381 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	<u>Annual Amortization</u>
2019	\$ (1,155,388)
2020	\$ (194,166)
2021	\$ (1,057,792)
2022	\$ (1,102,613)

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 6 - PENSION PLAN, (Continued)**

*Actuarial Assumptions* - The total pension liabilities in the December 31, 2016 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous	Safety
Valuation Date	December 31, 2016	December 31, 2016
Measurement Date	December 31, 2017	December 31, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.00%	7.00%
Inflation	2.75% (1)	2.75% (1)
Payroll Growth	3.25%	3.25%
Projected Salary Increase	4.0% - 13.25% (2)	4.0% - 13.75% (2)
Investment Rate of Return	7.0% (3)	7.25% (3)
Mortality	RP-2014 Combined Healthy Mortality Table	

- (1) Plus "across the board" real salary increases of 0.5% per year
- (2) Vary by service, including inflation
- (3) Net of pension plan investment expenses, including inflation

**Discount Rate** - The discount rate used to measure the total pension liability was 7.00% for the Plan. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of December 31, 2017.



**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 6 - PENSION PLAN, (Continued)**

The long-term expected rate of return on pension plan investments was determined in 2017 using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap U.S. Equity	6 %	5.75 %
Developed International Equity	10 %	6.99 %
Emerging Markets Equity	14 %	8.95 %
Short-Term Govt/Credit	24 %	0.20 %
US Treasury	2 %	0.30 %
Real Estate	7 %	4.45 %
Cash & Equivalents	1 %	(0.46)%
Risk Diversifying Strategies	2 %	4.30 %
Private Credit	17 %	6.30 %
Private Equity	<u>17 %</u>	8.10 %
Total	<u><u>100 %</u></u>	

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 6 - PENSION PLAN, (Continued)**

*Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* - The following presents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	6.00 %	6.00 %
Net Pension Liability	103,148	17,751,088
Current Discount Rate	7.00 %	7.00 %
Net Pension Liability	67,554	11,625,620
1% Increase	8.00 %	8.00 %
Net Pension Liability	38,507	6,626,879

*Pension Plan Fiduciary Net Position* - Detailed information about each pension plan's fiduciary net position is available in the separately issued CCCERA financial reports.

**Note 7 - EMPLOYEE BENEFIT PLANS**

**A. Deferred Compensation Plan**

District employees may defer a portion of their compensation under a District sponsored Deferred Compensation Plans created in accordance with Internal Revenue Code Section 457. Under these plans, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, and death or in an emergency as defined by the Plans.

The laws governing deferred compensation plan assets require plan assets to be held in a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the District's property, are not managed by the District and are not subject to claims by general creditors of the District, they have been excluded from these financial statements.

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 7 - EMPLOYEE BENEFIT PLANS, (Continued)**

**B. Other Post Employment benefits (OPEB)**

At June 30, 2018, net OPEB liability and related deferred outflows of resources are as follows:

Deferred outflows of resources	\$ <u>30,389</u>
Net OPEB liabilities	\$ <u>3,695,626</u>

**Plan Description**

The District provides 50% of postretirement health care benefits to full time employees who retire directly from the District after attaining the age of 50 with 10 years of service, with an increase of 5% for every year of service exceeding 10 years of service. After 20 years of service the District provides 100% of postretirement health care benefits.

The District is a participant of the California Employers' Retiree Benefit Trust (CERBT), an agent multiple-employer plan administered by CALPERS, consisting of an aggregation of single employer plans. This trust is not considered a component unit of the District and has been excluded from these financial statements. Separately issued financial statements for CERBT may be obtained from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

**Eligibility**

In order to qualify for postemployment medical benefits, an employee must retire from the District and maintain enrollment in one of District's eligible health plans. The District pays 100% of the medical premium for the retiree, spouse and dependents. At age 65, the District pays the Senior Advantage (Medicare eligible) or Medicare (Non-Medicare eligible) costs, and for those retirees out of the Kaiser area, the District pays up to what it would have paid capped at the actual premium. As of June 30, 2018, membership of the District as of the valuation date consisted of the following:

Inactive Employees Receiving Benefits	22
Participating Active Employees	<u>19</u>
Total Number of Participants	<u><u>41</u></u>

**Funding Policy and Actuarial Assumptions**

The District's policy, according to Ordinance No. 2-08, is to fund the Annual Required Contribution (ARC) of these benefits by accumulating assets with CERBT discussed above pursuant to the District's annual budget approved by Board. Effective October 1, 2011, represented employees were to make non-refundable contributions to CERBT equivalent to 3.75% of the base salary. The annual required contribution (ARC) was determined as part of a June 30, 2017 actuarial valuation using the entry age normal actuarial cost method. This is a

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 7 - EMPLOYEE BENEFIT PLANS, (Continued)**

projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued.

**Net OPEB Liability**

The District's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017.

**Actuarial Assumptions**

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial method	Entry age actuarial cost method
Discount rate	7.00%
Inflation	2.75%
Aggregate salary increases	2.75%
Investment rate of return	7.00%
Mortality rates	2014 CalPERS Active/Retired Mortality for Miscellaneous/Safety Employees
Healthcare cost trend rate	4.00% for medical benefits

**Discount Rate**

The discount rate used to measure the total OPEB Liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that the District contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to cover all future OPEB payments. Therefore, the discount rate was set equal to the long-term expected rate of return.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 7 - EMPLOYEE BENEFIT PLANS, (Continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Large Cap	43 %	7.795 %
US Small Cap	23 %	7.795 %
Long-Term Corporate Bonds	12 %	5.295 %
Long-Term Government Bonds	6 %	4.500 %
Treasury Inflation Protected Securities (TIPS)	5 %	7.795 %
US Real Estate	8 %	7.795 %
All Commodities	3 %	7.795 %

**Change in the Net OPEB Liability**

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(c) = (a) - (b)</u>
Balance at June 30, 2016	<u>\$ 4,951,369</u>	<u>\$ 1,518,104</u>	<u>\$ 3,433,265</u>
Changes Recognized for year:			
Service Cost	102,630	-	102,630
Interest	349,483	-	349,483
Employer Contributions	-	29,082	(29,082)
Employee Contributions	-	-	-
Actual Investment Income	-	161,487	(161,487)
Administrative Expense	-	(817)	817
Benefit Payments	(17,306)	(17,306)	-
Other	-	-	-
Net changes	<u>434,807</u>	<u>172,446</u>	<u>262,361</u>
Balance at June 30, 2017 (Measurement and Valuation Date)	<u>\$ 5,386,176</u>	<u>\$ 1,690,550</u>	<u>\$ 3,695,626</u>

Generally accepted accounting principles permit contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such contributions are placed in an irrevocable trust or equivalent arrangement. During the fiscal year ended June 30, 2018 (subsequent to the measurement date), the District contributed \$30,389 to the plan.

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 7 - EMPLOYEE BENEFIT PLANS, (Continued)**

The actuarial accrued liability (AAL) representing the present value of future benefits, included in the actuarial study dated June 30, 2017, amounted to \$5,386,176. The AAL is partially funded since assets have been transferred into CERBT. The District's contributions, along with investment income net of current year premiums resulted in assets with CERBT of \$1,690,550 as of June 30, 2017, which partially reduced the unfunded actuarial accrued liability.

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The net OPEB Liability of the District, as well as what the District's net OPEB Liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher are as follows:

Plan's Net OPEB Liability		
Discount Rate - 1%	Current Discount Rate	Discount Rate +1%
\$ 4,302,760	\$ 3,695,626	\$ 3,189,575

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The net OPEB Liability of the District, as well as what the District's net OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates are as follows:

Plan's Net OPEB Liability		
Discount Rate - 1%	Current Discount Rate	Discount Rate +1%
\$ 3,186,898	\$ 3,695,626	\$ 4,283,259

**OPEB Expense and Deferred Outflows of Resources Related to OPEB**

For the fiscal year ended June 30, 2018, the District recognized OPEB expense of \$231,972. At June 30, 2018, the District reported deferred outflows of resources of \$30,389, which was totally related to subsequent contributions to the plan.

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**Note 8 - RISK MANAGEMENT**

The Contra Costa County Fire District Insurance Pool arranges for and provides public liability, property damage and self-insurance between the county, its special districts and independent county fire protection districts. A summary of the District's insurance is as follows:

<u>Coverage</u>	<u>Insurance Company/ Risk Pool</u>	<u>Limit of Liability</u>	<u>Deductible/ SIR</u>
Workers' Compensation	FASIS	\$5,000,000	\$ 0
Excess Worker Compensation	FASIS	5,000,000	500,000
All Risk Property	CSAC	550,000,000 (flood) 600,000,000 (property)	100,000 (flood) 500 disappearing (aop)
Earthquake	CSAC	715,000,000	2% per "unit" \$100,000 minimum
Boiler & Machinery	CSAC	100,000,000	5,000
Sabotage & Terrorism	CSAC	200,000,000	500,000
General & Automobile Liability	CSAC	50,000,000	None
Pollution Liability	CSAC	10,000,000	500,000
Crime - Forgery or Alteration	Fidelity	250,000	2,500
Crime - all other	Fidelity	5,000,000	2,500

CSAC is governed by a Board consisting of representatives from member municipalities. The Board controls the operations of CSAC, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board. The Fire Agencies Self Insurance System (FASIS) arranges for and provides worker's compensation insurance for independent fire protection districts.

The District did not have any claim settlements that exceed the insurance coverage in the last three years.

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**Note 9 - COMMITMENTS AND CONTINGENCIES**

The District is named as a real party in interest in the Contra Costa County Deputy Sheriffs Association v. Contra Costa County Employees' Retirement Association, et al. , Contra Costa County Superior Court, Case No. N12-1870. As one of several employers of employees who are members of the Contra Costa County Employees' Retirement Association (CCCERA), the District's interests are aligned with the other public entity defendants who have employee members in the case, such that the District is waiting for a decision as to how, when and where to pay (or not) retiree benefits. The California Attorney General on behalf of the State has intervened in the case and is defending the constitutionality of the Public Employee Pension Reform Act (PEPRA), which amongst other legislation curtailed the ability of employees to spike their pensions through accumulation of sick and leave time, which the District must by law pay anyway. Because of the State's intervention, the District is not taking an active role in the defense of the case because the issues hinge primarily on the constitutionality of the Act, preferring instead to monitor the litigation as the constitutionality of the Act comes into issue before determining what effects, if any, a decision or order will have on its affected CCCERA member employees. The case is currently up on an appeal brought by the petitioners. The District is not joining in, nor will it file its own response to the appeal. The District continues to take a wait and see approach to see how the case is decided at the appellate level, especially since, as a real party in interest, it will be bound similarly to most of the other real parties in interest who have employees that are members of CCCERA. At this point, the likelihood of an unfavorable outcome is uncertain, and the amount that is at risk of loss is uncertain.

**Note 10 - TAX ABATEMENT**

The District has implemented the Governmental Accounting Standards Board (GASB) Statement number 77, Tax Abatement Disclosures. A tax abatement is created when a government enters into an agreement with an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. The District identified one abatement programs namely the Williamson Act that may affect the District's share of the property tax. The Williamson Act enables local governments to enter into contracts with private landowners for restricting specific parcels of land to agricultural or related open space use. In return, landowners receive property tax assessments based upon farming and open space uses as opposed to full market value. The Mills Act allows the county to enter into contracts with owners of historic structures who actively participate in the restoration and preservation of the property in exchange for an assessment at less than full market value. As per the Contra Costa County Controller's Office, the District's revenue might be affected by the Williamson Act if there is any Williamson Act properties within the Rodeo-Hercules Fire Protection District.



**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**Note 11 - CHANGE IN ACCOUNTING PRINCIPLE**

Net position as of July 1, 2017, has been restated as follows for the implementation of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB).

Net position as previously reported at June 30, 2017	\$ (16,031,732)
Prior period adjustments due to implementation of GASB 75:	
Net OPEB liability	<u>(752,487)</u>
Net position as restated, June 30, 2017	<u>\$ (16,784,219)</u>

**Note 12 - SUBSEQUENT EVENTS**

The management of District reviewed the results of operations for the period of time from its year end June 30, 2018 through January 30, 2019, the date the financial statements were available to be issued and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred other than already mentioned, the nature of which would require disclosure.

**REQUIRED SUPPLEMENTAL INFORMATION**

**RODEO - HERCULES FIRE PROTECTION DISTRICT**

**COST-SHARING MULTIPLE EMPLOYER DEFINED BENEFIT RETIREMENT PLAN**

**AS OF FISCAL YEAR ENDING JUNE 30, 2018**

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**

	<b>Last 10 Years*</b>			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Net Change in Total Pension Liability</b>				
Service Cost	\$ 3,083,283	\$ 2,141,354	\$ 1,952,386	\$ 2,170,536
Interest on the Total Pension Liability	8,888,146	6,253,767	5,893,314	6,336,010
Expensed portion of current-period changes in proportion and difference between employer's contributions and proportionate share of contributions	520,596	(138,010)	(590,374)	(510,910)
Expensed portion of current-period difference between expected and actual experience in the Total Pension Liability	(94,543)	(46,136)	(139,078)	(450,621)
Expensed portion of current-period changes of assumptions or other inputs	-	-	161,621	(186)
Member contributions	(1,401,275)	(937,982)	(863,851)	(883,512)
Projected earnings on plan investments	(7,491,678)	(5,147,268)	(5,065,803)	(5,273,953)
Expensed portion of current-period differences between actual and projected earnings on plan investments	(1,349,724)	(14,034)	864,172	(30,163)
Administrative expense	132,858	89,654	82,128	78,803
Other Expenses	17,675	(94,310)	6,764	-
Recognition of beginning of year deferred outflows of resources as pension expense	1,472,409	(595,247)	(431,135)	-
Net amortization of deferred amounts from Changes in proportion and differences between employer's contribution and proportionate share of contribution	<u>(1,239,294)</u>	<u>(1,101,284)</u>	<u>(510,910)</u>	<u>-</u>
<b>Net change in total pension liability</b>	<u><u>2,538,453</u></u>	<u><u>410,504</u></u>	<u><u>1,359,234</u></u>	<u><u>1,436,004</u></u>
<b>Reconciliation of Net Pension Liability</b>				
Beginning Net Pension Liability	14,693,106	15,252,152	13,499,212	16,612,346
Pension expense	1,637,240	1,481,331	1,359,234	1,436,004
Employer contributions	(2,111,707)	(2,058,096)	(2,186,912)	(966,307)
New net deferred inflows/outflows	(5,737,357)	(220,843)	3,536,036	(1,743,556)
New net deferred outflows due to change in proportion	<u>3,211,892</u>	<u>238,562</u>	<u>(955,418)</u>	<u>(1,839,275)</u>
<b>Net pension liability- ending</b>	<u><u>\$ 11,693,174</u></u>	<u><u>\$ 14,693,106</u></u>	<u><u>\$ 15,252,152</u></u>	<u><u>\$ 13,499,212</u></u>
Plan fiduciary net position as a percentage of the total pension liability	74.20 %	66.55 %	63.59 %	65.89 %
Covered - employee payroll	\$ 2,194,605	\$ 2,241,786	\$ 2,342,844	\$ 2,069,510
Net pension liability as percentage of covered employee payroll	532.81 %	655.42 %	651.01 %	652.29 %

\* Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**COST-SHARING MULTIPLE EMPLOYER DEFINED BENEFIT RETIREMENT PLAN**  
**AS OF FISCAL YEAR ENDING JUNE 30, 2018**  
**SCHEDULE OF CONTRIBUTIONS**

**Last 10 Years\***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 2,058,096	\$ 2,058,096	\$ 2,186,912	\$ 966,307
Contributions in relation to the actuarially determined contributions	<u>2,058,096</u>	<u>2,058,096</u>	<u>2,186,912</u>	<u>966,307</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,342,844	\$ 2,241,786	\$ 2,342,844	\$ 2,069,510
Contributions as a percentage of covered employee payroll	87.85 %	91.81 %	93.34 %	46.69 %

**Notes to Schedule**

Measurement date:	12/31/2017	12/31/2016	12/31/2015	12/31/2014
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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	8 years**
Asset valuation method	5-year semi-annually
Inflation	2.75%
Salary increases	4.00% - 13.75%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation
Retirement age	50 years Classic, 52 years PEPRA
Mortality	RP-2014 Combined Healthy Mortality Table with setbacks and forwards

\* Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

\*\* Remaining balance of December 31, 2007 UAAL is amortized over a fixed (decreasing or closed) period with 8 years remaining as of December 31, 2014. Any changes in UAAL after December 31, 2007 will be separately amortized over a fixed 18-year period effective with that valuation. Any changes in UAAL due to plan amendments will be amortized over a 10-year fixed period effective with that valuation.

**SUPPLEMENTAL INFORMATION**

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**CAPITAL PROJECTS #1 FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 1,130	\$ 1,130
Total Revenues	<u>-</u>	<u>-</u>	<u>1,130</u>	<u>1,130</u>
EXPENDITURES:				
Current:				
Public safety-fire protection	<u>-</u>	<u>-</u>	<u>8</u>	<u>8</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>8</u>	<u>8</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	1,122	1,122
OTHER FINANCING SOURCES				
Transfers in	-	-	5	5
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>5</u>	<u>5</u>
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	1,127	<u>\$ 1,127</u>
Fund balances at beginning of year			<u>95,580</u>	
Fund balances, at end of year			<u>\$ 96,707</u>	