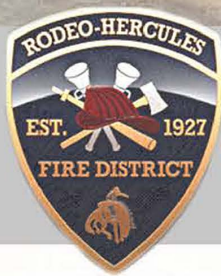


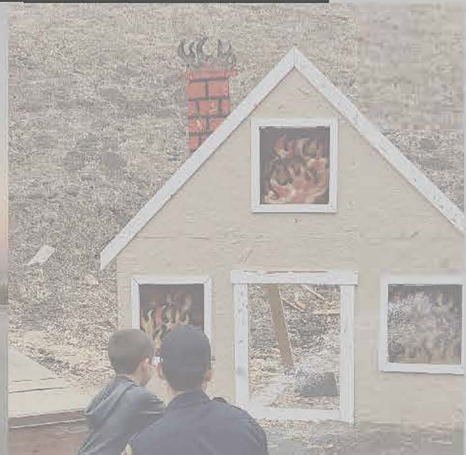
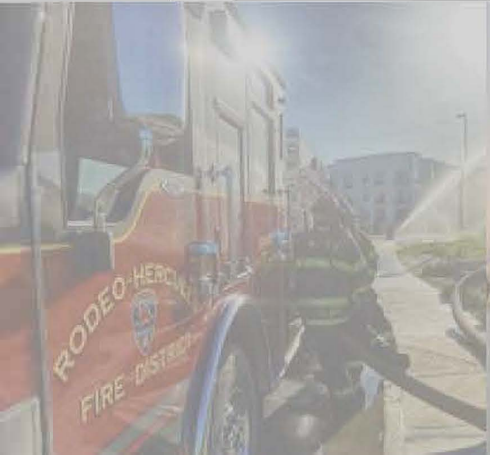


RODEO-HERCULES



FIRE DISTRICT

2023-24 BUDGET



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

This organization's mission is to provide the highest level of service to the community, mitigate the devastating effects of fires and other disasters, deliver emergency medical services, 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
Teamwork
Safety, Health & Welfare of the Organization

Board of Directors

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

Marie Bowman (Board Chair)

Delano Doss (Vice Chair)

Steve Hill

Charles Davidson

Robyn Mikel

Interim Fire Chief

Rebecca Ramirez

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

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II. Executive Summary

A. Transmittal Letter

September 13, 2023

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

Members of the Board of Directors:

As your Interim Fire Chief, I am pleased to present the Fiscal Year 2023-24 budget for the Rodeo-Hercules Fire Protection District. The creation of this budget wouldn't have been possible without the support of the Fire District Board of Directors. Its continued leadership has allowed the Fire District to provide a budget with complete financial transparency. With the assistance of the Board of Directors, budget ad hoc committee, the firefighters, administrative staff, and the Fire District's financial advisor ("MRG"), District staff present this budget.

The budget is developed based upon the needs and priorities of the Fire District with consideration of historical spending, trend analysis, present and forecasted needs, and staff capacity. The development, approval, and implementation of the budget are critical to proper management the district's finances.

This Fire District has faced many challenges over the years, and 2023-24 is no exception. However, under Board direction, significant progress to identify and address these challenges has been made. While the challenges will be addressed within this document, let's take a moment to identify and celebrate the significant accomplishments which have taken place during the 2022-23 fiscal year:

- ✓ Completion of the 2022-2027 Strategic Plan
- ✓ Completion of Management/Administrative Assessment
- ✓ Adoption of the 2022 Uniform Fire Code
- ✓ Hiring of an Interim Fire Chief
- ✓ Execution of agreement for services with M.E.D. Enterprises for continued analysis
- ✓ Purchase of Command Vehicle
- ✓ Hiring of one firefighter to obtain full staffing level

These accomplishments would not have been possible without the tireless efforts of personnel and staff and the support of our Board and our community.

Background

In the spring of 2022, at the direction of the Fire District Board of Directors, staff entered into a contract with Fitch & Associates to update their Strategic Plan (SP) and conduct a Management/Administrative Assessment Plan (MAP) to help identify challenges to the District and help provide a roadmap for the future of the District.

To ensure the process was community driven, the team of consultants led by retired Fire Chief Micheal Despain, in collaboration with staff, met with stakeholders for several months to gather information. The plans were completed and received by the Board in fall of 2022 and its findings were accepted. At the direction of the Board, staff began developing, implementing, and tracking portions of the plans that were achievable within the constraints of the 2022-23 budget and the capacity of staff. The findings have served to inform the budget recommendations contained within this document.

In the spring of 2023 a new Interim Fire Chief was selected by the Board. The appointment was made in mid-May 2023. Concurrently, at the direction of the Board, staff executed an agreement with retired Fire Chief Micheal Despain to assist with an analysis of options for maintaining or improving current service levels provided by RHFD. This would be expected to encompass a review of all administrative responsibilities or workload and provide a gap analysis matrix, including an analysis of all reasonable proposed partnerships. Additionally, it would seek options for more consistent and reliable methods of generating revenue.

The Strategic Plan ad hoc committee continues to provide direction and collaboration with Chief Despain. Because this process is still underway, no additional staff are included within this budget document. These efforts are intended to address the significant long-term challenges of sustainability which will not be deeply addressed within this document. Several areas of near-term challenges which will be addressed in this budget document have been identified, including inadequate funding of personnel overtime and capital expenditures.

Personnel

The personnel budget is a portion of the budget where there is very limited flexibility and represents 84% of the overall budget. Much of the budget is set by outside parties and formulas are inserted, i.e., health care costs set by CalPERS, retirement calculations recommended by CCCERA, payroll taxes, workers compensation rates, and personnel compensation as dictated by the Firefighters' MOU. Based on the "constant staffing" model that the RHFD has employed, every time a line employee takes time off from a regularly assigned shift, it necessitates backfill overtime, which accounts for a significant portion of the personnel budget.

The methodology by which the personnel budget lines have been developed to ensure personnel staffing, compensation, and benefit allocations align with expected costs has been evaluated and adjustments have been made to the final budget in three distinct areas: overtime, FLSA, and retirement.

To properly account for the causes of overtime and to specifically understand overtime needed for shift replacement (filling a seat as minimum staffing on a fire apparatus) vs. administrative overtime (which does not have a direct operational nexus, such as training, medical follow ups, special meetings, collateral assignments, and community events), an updated tracking mechanism has been put in place to track overtime uses going forward. Several years of data will be needed to provide accurate future estimates. Some assumptions related to the likelihood of exposure to overtime overages are included in this final budget.

In the past, Fair Labor and Standards Act (FLSA) calculations were not accurately calculated. Staff and counsel have worked collaboratively with labor (Local 1230) to come to an agreement on back pay owed and methodology for accurate calculations going forward. The new rates as well as the payout for back pay owed are included within the final budget. Regular and routine increases to compensation and benefits, as agreed upon in the MOU with Local 1230, are also included along with matching increases to administrative compensation and benefits.

Retirement benefits are formula-based calculations provided by Contra Costa County Employee Retirement Association (CCCERA) and are based upon current salaries and present and future retirees. Recent years have been flat with only nominal increases. The lack of increases in line with salary increases, coupled with a lowering of assumptions on returns, have dramatically increased recommended retirement contributions beyond what was anticipated and brings the District perilously close to deficit spending. It should be noted that a significant decrease is anticipated for FY 2024-25.

Facilities

Forecasting and budgeting for capital expenditures, including facilities, has been inadequate as to funding and staff capacity. The District has relied heavily upon line staff to address these overarching needs in a manner that is not consistent with their roles. This creates an undue burden on the firefighters to complete large projects while still being responsible for their regular duties. It also places demands on their off-duty days, causing further delays and an increase in overtime costs.

Deferred maintenance at both stations 75 and 76 has led to health and safety issues as well as operational deficiencies and should be addressed during this fiscal cycle. Preliminary bids have been obtained for some projects and are contained within the budget. Additional bids will require adjustment once obtained.

Equipment

The district's Apparatus Committee has evaluated all apparatus and updated the apparatus replacement spreadsheet which assesses condition and identifies expected replacement needs. The committee recommended at least one heavy apparatus—Quint 76A, be decommissioned. A subsequent evaluation of deployment options is presently underway after which specifications will need to be developed. This process is likely to take several months. Additionally, market lease and interest rates are high and economic indicators suggest some settling of rates in 2024.

Therefore, no additional apparatus requests are included in the final budget. It is anticipated that the replacement apparatus will likely be requested during the mid-year budget process. It should be noted that supply chain issues and inflation have led to 2-3 year build times and significant cost increases all of which are being taken into consideration. In the meantime, an increase to the repair and maintenance costs has been included in the final budget.

While some grant requests (AFG and Measure X) for portable radios are still pending, the outlook is not presently optimistic. An additional expenditure for communications equipment has been included in the final budget as a capital expenditure.

Fire Prevention

In order to become more consistent with inspections and mandated reporting, increase cost recovery, capacity and resilience, and better serve the community, an outsourced contract for service has been executed with CSG Consultants. CSG will provide a wide array of fire prevention services up to and including Fire Marshal-level services as needed. The contract has increased costs in the final budget.

Due to the efforts of staff and the dedication of this Board, in particular the Budget Ad Hoc Committee, the Budget for FY 2023-24 is balanced. The District is currently maintaining both fire stations at full staffing. This budget is forecasted by planning for a moderate level of expenditures and a mildly conservative mindset when planning for revenues. Previous years have consistently shown expenditures to be less than budgeted and revenues to exceed projections. If this same trend continues, the actual budget impact may be reduced. This budget is built to manage mild fluctuations in both staffing and market assumptions. The budget is not built to absorb the negative impact significant changes in present staffing (unforeseen vacancies and/or injuries and illness) or a negative swing in market assumptions such as a recession.

A summary of the significant changes (any increase over \$10,000) from the preliminary budget to the final budget is listed below:

DESCRIPTION	GL CODE	PROPOSED BUDGET	FINAL BUDGET	INC/(DEC)
Overtime	1014	\$ 713,611	\$ 818,640	105,029
Retirement	1044	\$ 2,259,896	\$ 2,560,962	301,066
Communications	2110	\$ 230,575	\$ 217,915	(12,660)
Vehicle Repair	2271	\$ 40,000	\$ 100,000	60,000
Maint. Radio & Equip	2276	\$ 57,380	\$ 7,380	(50,000)
Professional Services	2310	\$ 372,565	\$ 410,864	38,299
				\$ 441,734

As of July 1, 2023, the estimated fund balance is \$7,347,029. Pending audit results, due by January 1, 2024, this number may change.

During this budget preparation process, we have continued to review existing practices and identify and implement cost saving opportunities while seeking to expand high demand services. As always, the District will continue to be diligent in its fiscal responsibilities to the public.

This budget will enable the District to maintain high-quality fire and emergency response while maintaining a top priority on the health and safety of the public and our personnel.

In summary, I would like to express appreciation to the Board of Directors for their continued support, direction, and dedication to public safety.

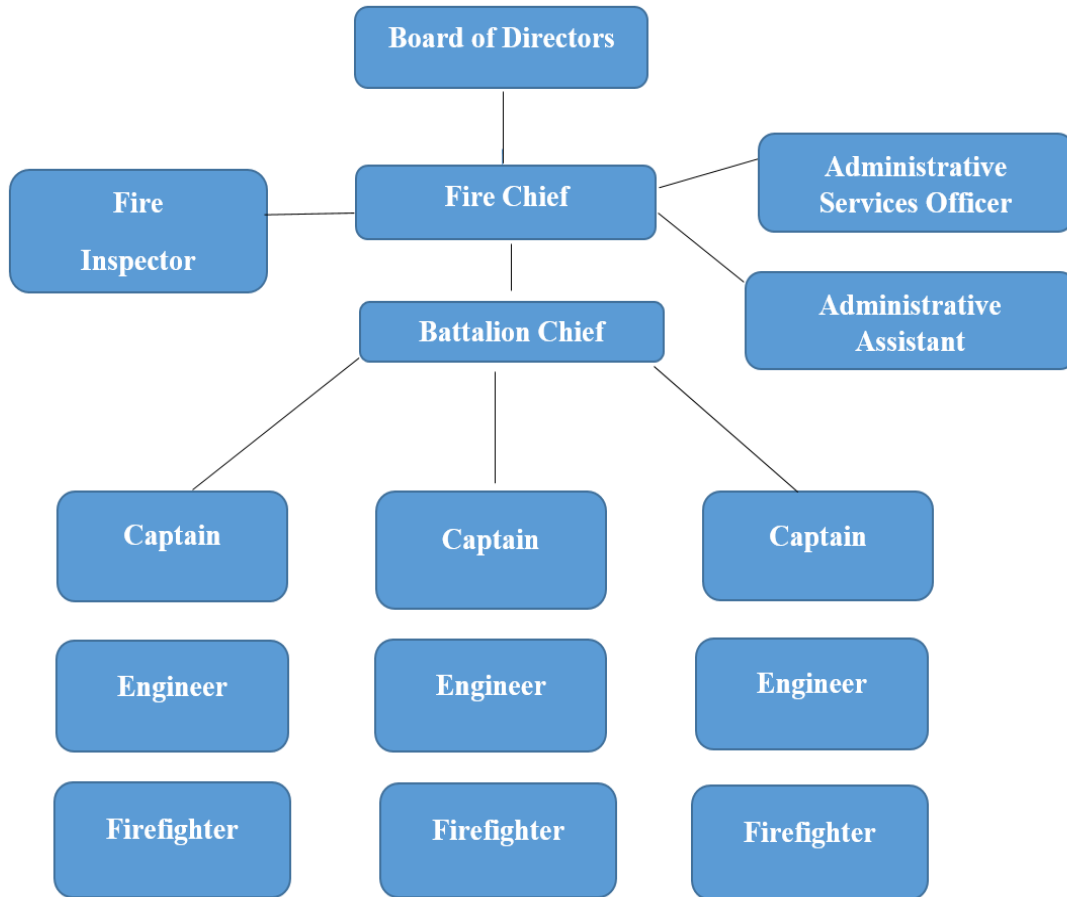
In Continued Dedicated Service,



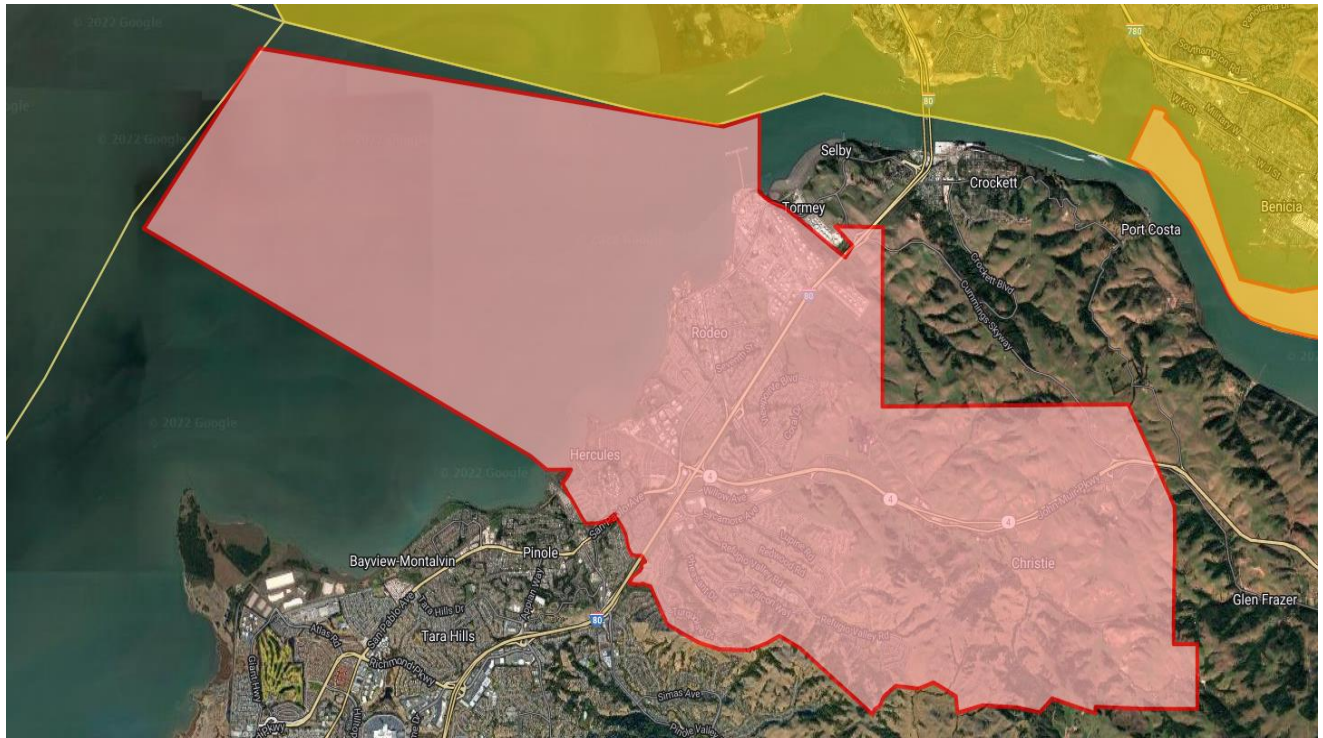
Rebecca Ramirez
Interim Fire Chief

B. District Overview

Organizational Chart



District Boundaries



III. FIRE OPERATIONS

Rodeo-Hercules Fire Protection District is a two-station, all-risk department operating individual fire companies specially trained to respond to residential and commercial fires, refinery and industry-related incidents, wildland fires, 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 Fire 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 Protection Fire District operates within Battalion 7 along with Contra Costa County Fire Protection Fire District, providing a single Battalion Chief along with CCCFPD's two Battalion Chiefs. This arrangement ensures the consistent establishment of incident command, firefighter safety, and judicious resource management at emergencies. The Battalion also serves communities outside 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 a 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 Fire District also responds to 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). Residents in participating communities benefit from this sharing of resources and regionalized approach. Our partners include the Contra Costa County Fire Protection

Fire District, Crockett-Carquinez Fire Protection Fire District, Richmond Fire Department, El Cerrito Fire Department, Moraga-Orinda Fire Protection Fire District, and Vallejo Fire Department. This aid is reciprocity-based.

The Fire District also participates in the California Fire Assistance Agreement (CFAA) for the State of California and Federal Fire Agencies. This agreement, which the Office of Emergency Services manages, has called upon RHFPD to provide Mutual Aid resources throughout California, Oregon, and Nevada. The CFAA aid is cost-recovery based.

Strategic Plan

In February 2022, the Fire District entered into a contract with Fitch & Associates to produce a five-year strategic plan. This plan has provided administrative and operational roadmaps for the success of the District moving forward. Completion of the plan was achieved in September 2022. An additional contract for service with consultant Mike Despain was executed in June of 2023 to assist with an analysis of options for maintaining or improving current service levels provided by RHFD. This would be expected to encompass a review of all administrative responsibilities or workload and provide a gap analysis matrix including an analysis of all reasonable proposed partners. Additionally, it will seek options for more consistent and reliable methods to generate revenue, adding new staff, training existing staff, identifying possibilities to subcontract work, or a combination of the above to enhance District services to the community while maintaining financial sustainability.

The Strategic Plan Ad Hoc committee has worked diligently with Mr. Despain and in consultation with the Fire Chief to create strategic priorities that can begin to drive the deliverables. The priorities as identified have informed the requests contained within the budget.

Fire Prevention

The District currently employs a single part-time Fire Marshal, who works an average of eleven hours per week, primarily conducting plan review and new fire system inspections with a smaller emphasis on code enforcement and existing business inspections. Construction plan review and compliance with Fire District, local and state requirements and meetings with developers and contractors are addressed with district staff.

Shift personnel assist with fire and life safety inspections and code enforcement for businesses and schools within the Fire District as is feasible given their primary responsibilities of emergency response, training, and maintaining operational readiness. Engine companies also conduct inspections of public and private properties for hazardous and/or combustible fuels, unabated annual grasses and urban blight and give notifications to abate said hazards. Despite the best efforts of the present personnel, inspections as described above have been inconsistent.

In order to become more consistent with inspections and mandated reporting, increase cost recovery, capacity and resilience, and better serve the community, an outsourced contract for service has been executed with a CSG Consultants. CSG will provide a wide array of fire prevention services up to and including Fire Marshal-level services as needed. The contract has increased costs in the final budget by an additional \$40,000 from what was shown in the preliminary budget. It is anticipated that cost

recovery will increase as a result of expected process improvements.

Apparatus

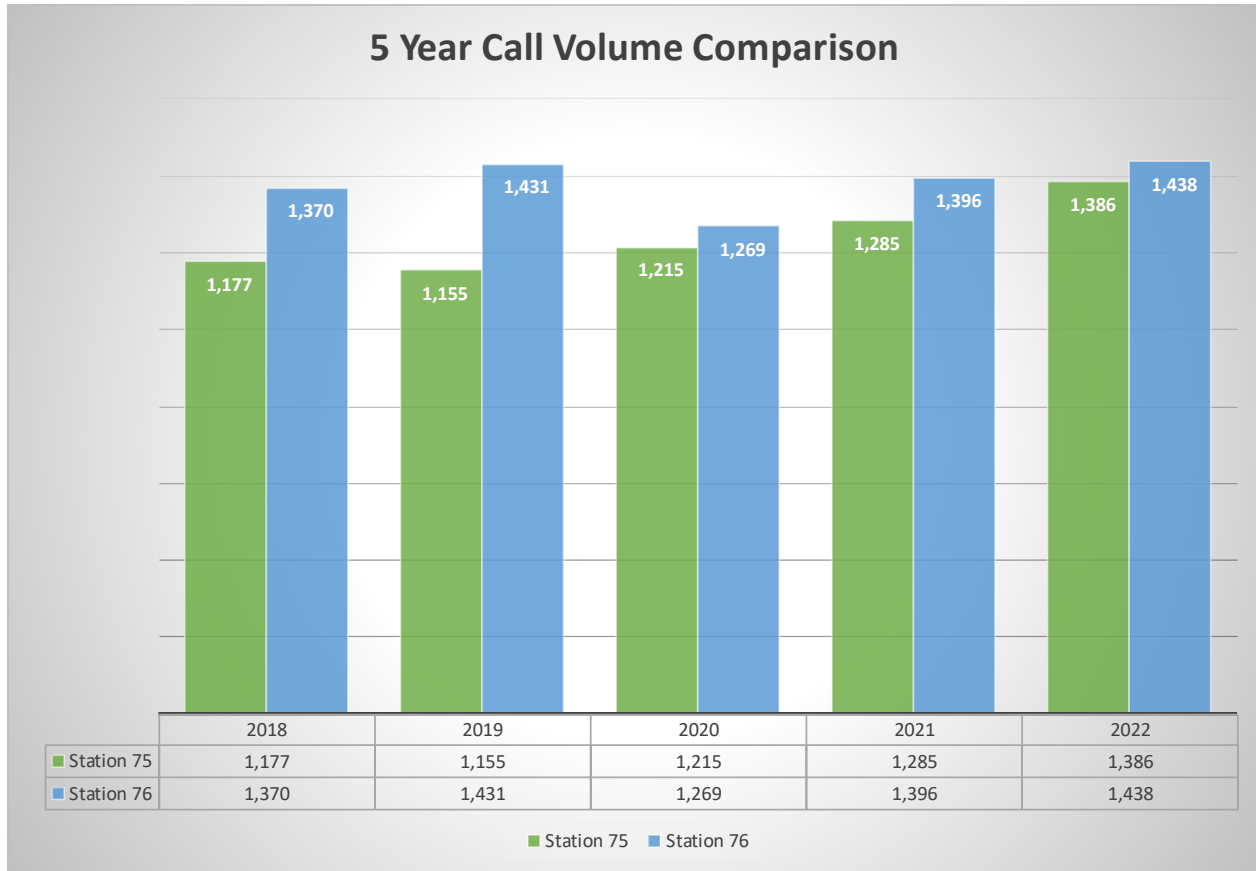
The Fire District operates a variety of Fire Apparatus* including:

- One 100-foot Quint Ladder Truck
- One Type 1 Rescue Pumper
- Two Type 3 Wildland Engines
- One Type 1 Rescue Pumper (Reserve)
- One 75-foot Quint Ladder Truck (Reserve)

**Fire apparatus is identified into standard category typing within the Incident Command System to organize multiagency resources through the National Interagency Fire Center and the Office of Emergency Services.*

The Fire District maintains a variety of fire apparatus and equipment to meet the public safety needs of our service area which includes major highways and streets, undeveloped wildland, developed urban residential, and refinery/industrial areas.

Incident Calls-2022			
Incident Type	Number of Calls		Total
	Station 75	Station 76	
Fire	97	56	153
EMS/Rescue	907	836	1743
Hazardous Condition	19	34	53
Service Call	96	109	205
Good Intent	221	283	504
False Call	45	119	164
Other	1	1	2
TOTALS	1386	1438	2824



A. Budget Overview and Summary

Structure for Budgeting and Accounting

As a single-purpose fire authority, the Fire District maintains one governmental account. Within this single account are five separate funds: the General Fund, the Measure O Fund, the Capital Fund, the Hercules Developer Impact Fund, and the Rodeo Developer Impact Fund. The Fire District reports the majority of its financial activities in the General Fund. Revenues and expenditures are reported in accordance with government accounting standards. Government funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when funds are available if the revenues are collected within 60 days after year-end and expenditures are recorded when the related liability is incurred.

Budget Control and Amendments

The Fire Chief is responsible for ensuring expenses are within program allocations and shall adopt budget policies necessary to carry out that responsibility within his/her authority. Except in prescribed emergencies, no expenditure of funds shall be authorized unless enough funds have been appropriated

by the Board of Directors as outlined in this budget. The Fire District has three distinct formal budgetary review and approval cycles within a given fiscal year: Preliminary, Final, and Mid-Year (Amended) Budget if needed. The final budget is approved after holding a public hearing and formal adoption by the Fire District's Board of Directors. The budget includes the proposed expenditures of the Fire District and the means of financing them. The Board reviews total budgeted appropriations and any necessary amendments throughout the year. Formal budgetary integration at the fund level is employed as a management control device to monitor budget-to-actual performance throughout the fiscal year. Quarterly budget financial reports are also provided to the Board and are available to the general public. The Fire District's Budget is adopted on a basis consistent with the Governmental Accounting Standards Board method (GASB).

Budget Goals for Fiscal Year 2023-24

As the Board and community are aware, the Fire District has struggled in the past to maintain solid financial footing. The much-needed replacement revenue from Measure O has improved the Fire District's finances by adding some financial stability. Fire District staff have developed a budget that recognizes the District's current obligations and provides accurate information on the fiscal realities and the global economic impacts faced by the District. The Fire District will continue its efforts to secure additional revenue sources to stabilize its financial future and provide for the health and safety of the community and its firefighters.

Operations: Replace alerting system and communication equipment. Repair and maintain apparatus while planning for replacements.

Fire Prevention: Reduce risk to the community by completing 100% of mandated and high-hazard inspections, improving cost recovery and fuel management processes.

Capital: Repair facilities to create a healthy and positive living environment for fire personnel.

Compensation and Benefits: Ensure personnel costs are adequately forecasted for potential yet reasonable levels of exposure and retirement obligations.

Financial Stabilization: Four months of salary, fully loaded, amounts to approximately \$1.3 million and has been placed in a Financial Stabilization Fund.

Projected Revenues

Previous revenues had been largely based on forecasted revenues, not actual received revenues. Based upon the Budget Ad Hoc Committee's feedback and further analysis, the methodology was changed to utilize actual received revenues. The FY 2023-24 budget projects a total revenue of \$9,519,598, an increase of 3% from the previous year's actual received secured property tax revenues (as of August 2023), prior to completion of the audit. A change in the audit would effect these calculations. This revenue projection is based on the following assumptions: \$4,595,759 in Property Tax revenue, \$2,645,510 in Measure O revenue, \$1,361,582 in Benefit Assessment revenue, and \$916,747

in Intergovernmental revenue. The budget revenue projections are only mildly conservative. The budget is not built to absorb the impact of a negative swing in market assumptions such as a recession.

In November 2016, the Fire District successfully passed a parcel tax measure for maintaining emergency services within the Fire District. Measure O revenues are allocated for Fire District operations and fully expended to provide emergency services during the budget year. We have experienced some reductions in the total Measure O revenues due to the provision for senior exemptions and inflation having outpaced 3% maximum annual escalation. The total projected revenue, factoring in expected senior exemptions, is \$2,645,510.

Fiscal Year 2023-24 Projected Expenditures

Budget expenditures include full staffing for two stations. A full-staffing compliment for FY 2023-24 includes:

- One Fire Chief
- One Battalion Chief
- Six Captains
- Six Engineers
- Six Firefighters
- One part-time Fire Inspector
- One full-time Administrative Services Officer
- One full-time Administrative Assistant

The constant staffing configuration which the Fire District employs provides for permanent employees to staff the two-station configuration. However, this model can lead to an increase in firefighter fatigue, injuries, and burnout which may, in turn, lead to higher workers' compensation costs as well as an increase in overtime. A full review of overtime, along with a five-year cost averaging with an adjustment for present full-staffing compliment, forecasted an additional \$105,029 in overtime exposure for FY 2023-24, beyond what was placed in the preliminary budget. Should significant unforeseen injuries or illnesses occur, additional funds may be required to maintain present service levels. It is important to note that backfilling for vacancies is not included in the overtime projections as it is typically offset by the salary savings created by the vacancy.

Fire District Financial Position

While the FY 2023-24 recurring budget is a balanced budget, reserve funds will be required if much needed capital projects and purchases are to be accomplished and claim obligations, including retirement, are to be met.

The Fire District's financial position has improved with the revenue provided by Measure O. Full funding for two fire stations and providing uninterrupted emergency service is the continued primary focus when creating the budget. The development, implementation and establishment of an industry-

standard budgeting and accounting system has streamlined processes and built a budget based on actual revenue and expenses. **Despite the welcome influx which Measure O has brought, future projections forecast an increasing reliance on the reserve fund to meet capital needs and a growing cost of compensation and benefits for both present and retired employees.**

Forecasted Future Financial Issues

Most of the financial issues faced by the Fire District originate externally and are difficult or impossible to control. A number of these involve actions by outside agencies, or result from past economic conditions outside the Board's control. The information below is preliminary and may need modification prior to finalizing the budget. These issues include the following:

- Inflation has outpaced Measure O revenues. Additionally, senior exemptions have grown year over year, causing a further reduction in growth despite Board approval of the maximum allowable CPI increases.
- High-density rental development within the City of Hercules is causing service demands without corresponding revenue. Multi-story high-density residential and commercial projects require additional equipment and resources to protect. Although the Fire District was successful in increasing its Fire Facilities Impact Fee schedule, it was not to the full extent necessary to provide adequate funding to acquire all additional equipment needed to provide suitable fire and emergency response to these areas.
- Rising payroll will continue to impact CCCERA and OPEB costs and are largely out of the District's control. Additionally, market fluctuations and changes in assumptions can either decrease or increase contributions. It may be necessary to establish a funding policy to better manage the effects of unexpected increases.

This budget document contains several Budget Management, Control, and Reserve Policies (see *Section V. Budget Policies* for details). These policies describe important fiscal control areas to ensure that the Board's financial decisions are implemented thoroughly and professionally, and that detailed and transparent financial reporting is provided to both the Board and the public on an ongoing basis.

IV. Statement of Unfunded Liabilities: CCCERA & OPEB UAALS

The Fire District provides two benefit programs to employees that require ongoing contributions to be sustainable. These are (1) the pension benefits provided through contracts with the Contra Costa County Employees' Retirement Association (CCCERA) 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). The UAAL is the difference between the retirement system's assets and the pension accrued (for past service) to current and future retirees. This calculation 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 on page 14.

The normal retirement and UAAL retirement recommended contributions for 2023-24 were received and showed an unforeseen and dramatic increase. The increase in both areas equated to a \$301,066 increase in allocation. RHFPD appears to have been on a (fixed or flat) UAAL payment arrangement in previous years, which helped with the budget cash flow. The lack of increases in line with salary increases, coupled with a lowering of assumptions on returns are largely responsible for the increase.

In the latest valuation dated December 31, 2022 that was just completed, the forecast shows UAAL amortization annual payment going down in 2024-25. This will help reduce the UAAL rates for FY 2024-25. Each year, a payment is made against the UAAL reflecting the amortization payment and interest. The amount is expected to rebound with another likely increase in 2025-26 and, pending changing assumptions and salaries, become somewhat more consistent going forward. Therefore, unless sufficient contributions are made, the UAAL will continue to be a financial burden to the Fire District. The unfunded liability as of 06/30/22 was \$3,772,996. This number is provided by CCCERA and can vary from year to year based on adequate contributions.

The Fire District's Other Post Employment Benefit (OPEB) Program funds retiree medical insurance. The Fire District pays the cost of qualifying retiree medical insurance based on an agreement with the employees. The Fire District is currently paying the full cost of that coverage to retirees—the 'normal' costs of the OPEB program. For FY 2023-24, \$360,000 is budgeted for this program. The CERBT Fund is a Section 115 trust fund dedicated to pre-funding Other Post-Employment Benefits (OPEB) for all eligible California public agencies. By joining this trust fund, California public agencies can help finance future costs from investment earnings provided by CalPERS. As of June 30, 2023, the District's balance in the CERBT Fund is \$2,860,320.

While unfunded liability for pension and retiree healthcare is a significant obligation of the District, we continue to manage these liabilities in accordance with Board direction.

V. BUDGET POLICIES

The following budget policies were adopted by the Board of Directors during the FY 2017-18 budget adoption and currently remain in place with no additions or deletions.

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

Fund Balance and Reserve Policy

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

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

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.

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

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

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 Fire District's financial stability and sustainability are of primary importance to the Board of Directors. The Board has established the following policies for the Fire District to implement:

Financial Stabilization Fund —the key financial stabilization objective is to build the District's Reserve. The reserve is to provide the Fire District with the needed flexibility to provide for unanticipated changes in revenues or expenditures and to assure the provision of stable services to the Fire District's residents and businesses.

It was previously recommended that the Board establish the goal of having funds for four months of operations as Unassigned Fund Balance for economic uncertainty. Therefore, the initial contribution for four months of salary, fully loaded, is approximately \$1.3 million and is included within this budget under the financial stabilization fund.

General Fund Committed Fund Balance—The Fair Labor Standards Act (FLSA) requires employers to pay overtime at one and one-half times the employee's regular rate of pay. Incentive/premium pays, such as paramedic pay, must be included in the regular rate of pay for the purposes of calculating overtime. In the past, overtime was not being calculated accurately, prompting a claim from Local 1230 which has now reached a settlement. \$280,000 has been allocated in the FY 2023-24 budget to settle this claim.

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 such as fire apparatus, equipment, and buildings. Capital Facilities (buildings and facilities) maintenance is a major Fire District obligation that includes higher cost periodic funding. These are expenditures that are less frequent and require planning to accomplish. The budget does include a capital replacement reserve to handle expected capital expenditures outlined as follows:

CAPITAL EXPENDITURE LIST

TASK	ESTIMATED COST	PRIORITY LEVEL	PROJECTED COMPLETION DATE	INCLUDED IN FY23/24 BUDGET?
STATION 76 ROOF*	\$ 35,000	1	FY 23-24	YES
ALERTING SYSTEM 75/76	\$ 220,000	1	FY 23-24	YES
COMMUNICATION EQUIPMENT**	\$ 70,000	1	FY 23-24	YES
STATION 76 BATHROOM REMODEL	\$ 35,000	1	FY 23-24	YES
STATION 75 BATHROOM REMODEL	\$ 50,000	1	FY 23-24	YES
STATION 76 PAINT INTERIOR	\$ 15,000	2	Spring 2024	YES
CONCRETE FLOOR REHAB 75	\$ 9,000	2	Summer 2024	YES
CONCRETE FLOOR REHAB 76	\$ 9,000	2	Summer 2024	YES
CARPET REPLACEMENT 75	\$ 7,500	2	Summer 2024	YES
CARPET REPLACEMENT 76	\$ 7,500	2	Summer 2024	YES
REPLACE CONCRETE/TANK 76*	\$ 90,000	2	Summer 2024	YES
STATION 76 KITCHEN REMODEL	\$ 35,000	3	FY 24-25	NO
STATION 75 KITCHEN REMODEL	\$ 35,000	3	FY 24-25	NO
STATION 76 APP BAY PAINTING	\$ 12,000	3	FY 24-25	NO
TRAINING ROOM PAINTING/FLOORING	\$ 25,000	3	FY 24-25	NO
COST OVERRUN	\$ 15,000			YES
	\$ 670,000			
FY 2023-24 COSTS:	\$ 563,000			

*City of Hercules responsibility; may be removed from expenditure

**Possible alternative funding

At the direction of the board of directors via the budget ad hoc committee, \$563,000 is recommended for Capital Expenditures to maintain the health and safety of District employees and achieve greater efficiency and effectiveness in the District’s operations. There is an understanding that modification of either the list and/or amounts will likely need to be adjusted once bids and estimates are obtained. Based upon the existing lease, the City of Hercules is likely responsible for some of the capital projects (roof and replacement of concrete) which, if realized, would significantly reduce the expenditures listed above.

Replacement of Fire District equipment is another major obligation. The Fire District owns several 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. Failing communication equipment has been included in the final budget in the amount of \$70,000 above what was in the preliminary budget. It is expected that without alternative funding, the next two fiscal cycles would be similarly impacted in order to achieve full replacement over a three-year period.

Another change from the preliminary budget pushes out four projects from the capital list request (Station 75 and 76 kitchen remodels, apparatus bay painting, and training room improvements) until FY2024-25. The net change is a decrease in the capital request from \$600,000 in the preliminary budget to \$563,000 in the final budget.

At least one heavy apparatus, Quint 76A, is recommended to be decommissioned. A subsequent evaluation of deployment options is presently underway after which specifications will need to be developed. This process is likely to take several months. Additionally, market lease and interest rates are high and economic indicators suggest some settling of rates in 2024. Therefore, no additional apparatus requests are included in the final budget. It is anticipated that the replacement apparatus will likely be requested during the mid-year budget process. It should be noted that supply chain issues and inflation have led to 2-3 year build times and significant cost increases, all of which are being taken into consideration. In the meantime, an increase of funds to repair and maintain the aging fleet has been included in the final budget amounting to an additional \$60,000 over the preliminary budget.

The Board will annually review the status of the Fire District's reserves—including the General Fund Unassigned Fund Balance, the General Fund Committed Fund Balance, the Assigned Fund Balances for Apparatus, Capital Equipment, and UAAL for the Fire District's Retirement and OPEB obligations. The Board will designate funding levels for each as the Board determines its priorities for the Fire District's short and long term commitments. The Board will conduct its review based on staff's third quarter financial review, which will include the estimated year-end fund balances in all the Fire District's reserves.

VI. FIRE DISTRICT REVENUES, EXPENDITURES & FUND BALANCES

A. Fire District Revenues

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

The Fire District historically received a "pass-through" of 100% of the ad valorem property tax received by the County in the Rodeo redevelopment project area and a portion in the City of Hercules redevelopment project areas. The dissolution of the Redevelopment Agency has reduced the pass-through.

Other revenue sources are generated through voter-approved special taxes, including two long-standing fire district benefit assessments and the 2016 Measure O parcel tax that became effective on July 1, 2017.

Property taxes, the Benefit Assessment, and Measure O equal 90% of the revenues received annually while Miscellaneous/other revenues equal 10% of total revenue:

• Property taxes	\$4,595,759	48%
• Benefit Assessment	\$1,361,582	14%
• Measure O	\$2,645,510	28%
• Miscellaneous other	<u>\$ 916,747</u>	<u>10%</u>
	\$9,519,598	100%

Property tax and Fire District Benefit Assessment revenues have been in place since the Fire District incorporated, and the voters approved the Measure O funding in 2016. These three sources of revenue will provide a stable long-term revenue stream for the Fire District. While the Fire District’s Benefit Assessment and Measure O revenues are based on set annual amounts, the property tax is "ad valorem" based on commercial property and residential dwellings. The annual revenue from property tax varies year to year, depending on the general economic conditions and assessed value of the real property. Total proposed revenues for all funds in FY 2023-24 are \$9,519,598.



2023-24 ESTIMATED REVENUE

RODEO HERCULES FIRE PROTECTION DISTRICT REVENUE ALL FUNDS FY2023-2024 BUDGET

DESCRIPTION	GL CODE	ADOPTED BUDGET FY2021-22	ACTUAL AUDITED FY2021-22	ADOPTED BUDGET FY2022-2023	PROJECTED ACTUALS FY2022-2023	PROPOSED BUDGET FY2023-2024	FINAL BUDGET FY2023-24
Prop. Taxes-Current secured	9010	4,211,244	3,855,500	3,855,500	4,101,008	3,971,165	4,224,038
Prop. Tax-Supplemental	9011	105,584	163,410	85,000	185,917	181,557	181,557
Prop. Tax-Unitary	9013	74,000	78,900	78,900	83,712	84,000	84,000
Prop. Tax-Current Unsecured	9020	130,000	130,339	137,000	148,524	135,000	135,000
Prop Tax-Prior-Secured	9030	(5,361)	(14,285)	(14,285)	(17,614)	(17,614)	(17,614)
Prop Tax-Prior-Supplemental	9031	(4,981)	(5,860)	(5,860)	(10,406)	(10,406)	(10,406)
Prop Tax-Prior-Unsecured	9035	(1,000)	1,643	590	(442)	(816)	(816)
TOTAL PROPERTY TAXES		4,509,486	4,209,647	4,136,845	4,490,699	4,342,886	4,595,759
Benefit District	9066	1,361,249	1,362,081	1,362,081	1,361,582	1,361,582	1,361,582
TOTAL BENEFIT DISTRICT		1,361,249	1,362,081	1,362,081	1,361,582	1,361,582	1,361,582
H/O Prop Tax Relief	9385	29,956	27,760	29,956	26,693	29,000	29,000
Other In Lieu Taxes	9580	192	171	-	183	183	183
RDA NonProp-Tax Pass Thru	9591	427,275	523,503	523,503	555,796	639,165	639,165
Earnings on Investment	9181	14,000	5,679	6,000	35,374	18,000	35,374
Fire Prevention Plan Review	9741	20,000	17,311	17,000	14,468	11,887	11,887
Misc. Current Services	9980	23,109	22,041	23,000	11,283	15,000	15,000
Other Revenue/Measure H	9895	85,592	85,504	92,161	86,388	92,161	86,388
TOTAL INTERGOVERNMENTAL		600,124	681,969	691,620	730,185	805,396	816,997
Measure O	9066	2,519,748	2,513,864	2,584,204	2,584,326	2,645,510	2,645,510
TOTAL MEASURE O		2,519,748	2,513,864	2,584,204	2,584,565	2,645,510	2,645,510
Grant Funds	9980	-	100,000	-	99,750	99,750	99,750
Stale Dated Check	9975		1,495		3,988	0	-
Misc. State Aid	9435		276,087			0	-
Indemnifying Proceeds	9969		4,910			0	-
Development Impact Fee	9980		14,706		-	0	-
TOTAL OTHER REVENUE		-	397,198	-	103,738	99,750	99,750
TOTAL REVENUE		8,990,607	9,164,759	8,774,750	9,270,769	9,255,124	9,519,598

Measure O

The Fire Chief met with the Measure O Oversight Committee and Legal Counsel to better understand the legal parameters by which the Measure O funds can be utilized and worked collaboratively with the Board and the Measure O Oversight Committee to stay within the scope of those parameters. Allocations for Measure O funds as listed are reflective of the changes.

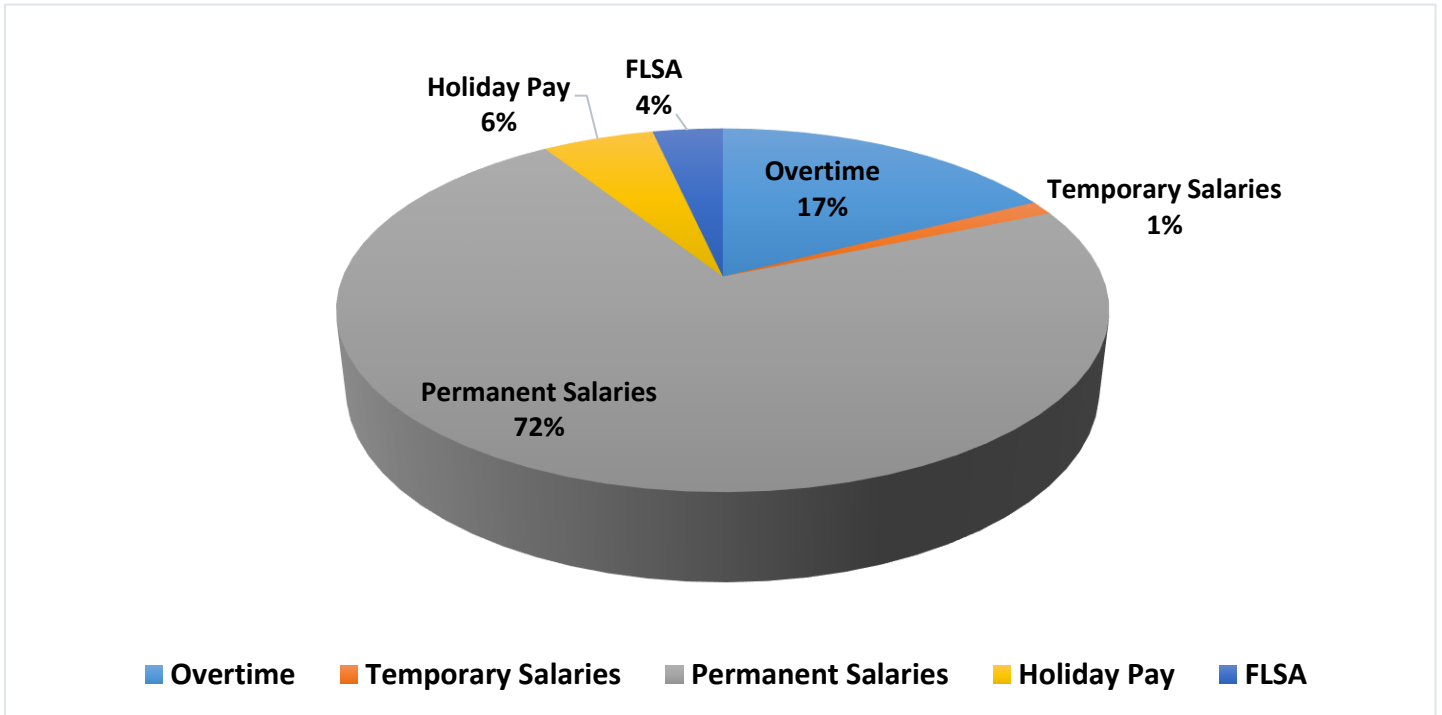
**RODEO-HERCULES FIRE PROTECTION DISTRICT
FISCAL YEAR 2023-24 MEASURE O BUDGET**

DESCRIPTION	GL CODE	ADOPTED BUDGET FY2020-21	AUDITED ACTUAL FY 2020-21	ADOPTED BUDGET FY2021-22	AUDITED ACTUAL 6/30/2022	ADOPTED BUDGET 2022-23	PROPOSED BUDGET FY2023-24	FINAL BUDGET FY2023-24
Beginning Fund Balance:		802,156		834,148		880,680	904,349	904,349
REVENUE:		2,500,704	2,502,195	2,519,748	2,513,864	2,584,204	2,645,510	2,645,510
TOTAL MEASURE O REVENUE:		2,500,704	2,502,195	2,519,748	2,513,864	2,584,204	2,645,510	2,645,510
Permanent Salaries	1011	-	-	-	-	-	-	1,574,451
CCCERA-UAAL Payment	1044	1,639,704	1,639,704	1,684,896	1,684,896	1,684,896	1,684,896	-
Group Insurance-Active	1060	433,504	452,926	468,184	491,869	505,639	505,639	119,573
OPEB Matching Funds	1060	70,000	64,507	92,635	31,129	-	-	-
Group Insurance-Retiree	1061	303,170	303,323	327,424	285,934	360,000	360,000	83,500
CCCFPD Dispatch Services 23-24	2110	-	-	-	-	-	-	164,715
Apparatus Lease Payment	2250	-	-	-	-	-	-	100,000
Fire Prevention	2310	-	-	-	-	-	-	99,000
Alerting System for Stations 75& 76	2474	-	-	-	-	-	-	220,000
EMS Training for Personnel	2477	-	-	-	-	-	-	42,000
County Collection Fee	3530	10,000	9,743	10,000	10,005	10,000	10,000	10,000
TOTAL EXPENDITURES:		2,456,378	2,470,203	2,583,139	2,503,833	2,560,535	2,560,535	2,413,239
NET Change in Measure O Funds		44,326	31,992	(63,391)	10,031	23,669	84,975	232,271

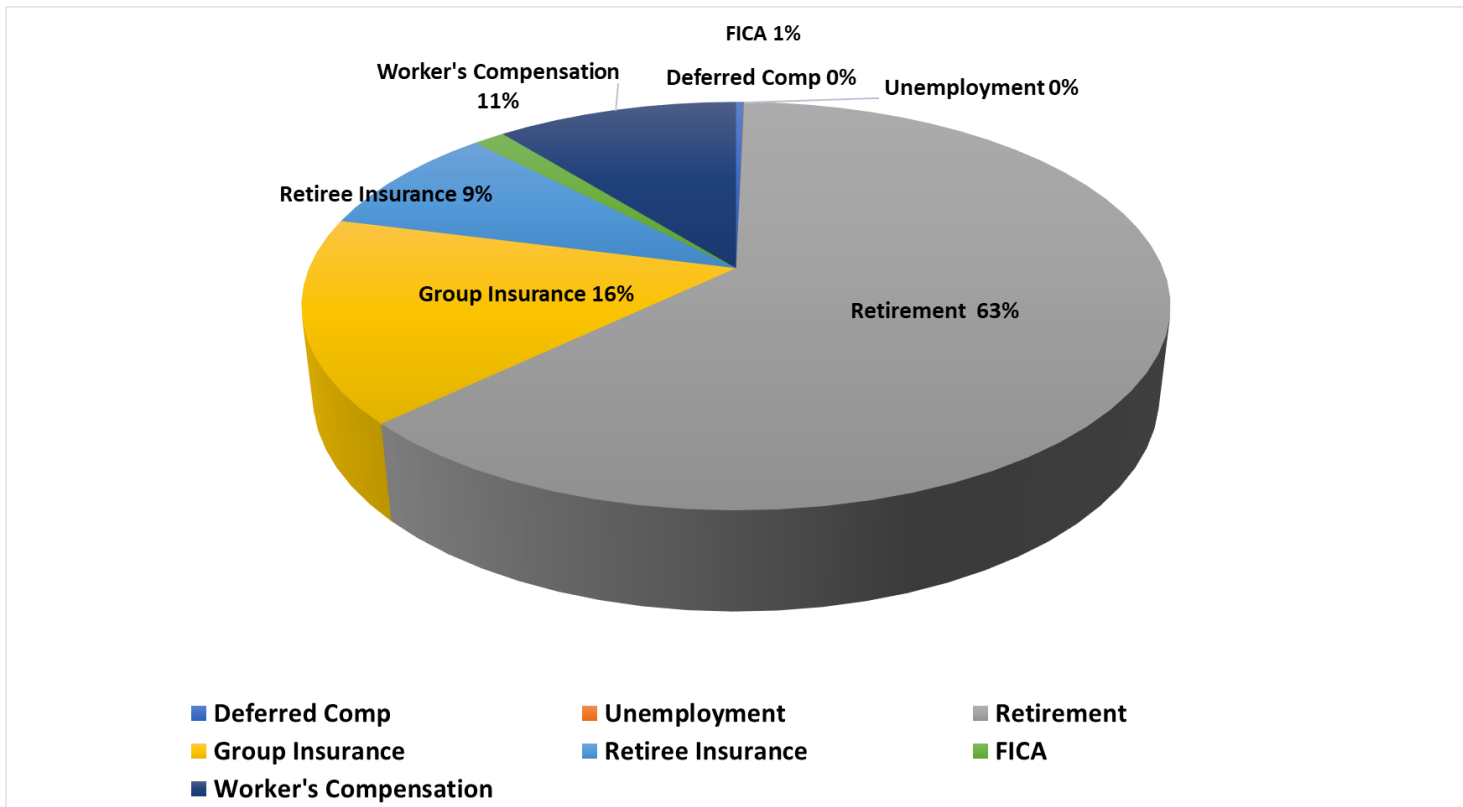
B. Fire District Expenditures

As discussed within this document, the Final Budget for FY 2023-24 is based on maintaining the Fire District's two station configuration, fully staffed, and accounts for increases in salaries or benefits. As discussed, the major increases in salary and benefits are to overtime, CCCERA retirement and UAAL. The total projected expenditures for FY 2023-24 are \$9,502,888.

COMPENSATION DISTRIBUTION



BENEFITS DISTRIBUTION



**RODEO HERCULES FIRE PROTECTION DISTRICT
EXPENDITURES for All FUNDS
FY2023-2024 BUDGET**

	GL	ADOPTED BUDGET	ACTUAL AUDITED	ADOPTED BUDGET	PROJECTED ACTUALS	PROPOSED BUDGET	FINAL BUDGET
DESCRIPTION	CODE	FY2021-22	FY2021-22	FY2022-23	FY2022-23	FY2023-24	FY2023-24
Holiday Pay	1001	174,648	166,731	198,190	196,121	218,393	218,393
Permanent Salaries	1011	2,724,066	2,355,302	2,592,837	2,368,446	2,822,138	2,822,138
Drill/Temporary Salaries	1013	54,960	46,649	33,280	48,773	49,000	49,000
Overtime	1014	660,413	998,321	700,000	1,003,218	713,611	-
FLSA	1014-01						137,277
Backfill/Ancillary	1014-02						681,363
Strike Team	1014-03						
Strike Team Reimbursement	1014-04						
Deferred Compensation	1015	10,800	10,800	10,200	8,700	14,400	14,400
FICA	1042	40,000	57,844	60,000	57,775	50,000	58,000
Retirement-Normal	1044	500,000	561,968	575,000	613,250	575,000	670,795
Retirement-UAAL	1044	1,684,896	1,684,896	1,684,896	1,684,896	1,684,896	1,890,167
Group Insurance	1060	530,667	610,181	628,122	518,311	660,757	660,757
Group Insurance-Retiree	1061	420,059	314,893	360,000	373,776	360,000	360,000
Unemployment Insurance	1063	1,000	-	1,000	-	1,000	1,000
Worker's Compensation Ins.	1070	320,000	321,653	402,600	435,676	440,000	441,129
TOTAL SALARIES AND BENEFITS		\$ 7,121,509	\$ 7,129,238	\$ 7,246,125	\$ 7,308,942	\$ 7,589,195	\$ 8,004,419
Office Expenses	2100	22,850	18,466	22,850	13,945	30,550	34,750
Books/periodicals/subscriptions	2102	2,485	3,214	2,485	3,971	4,000	4,000
Communications	2110	225,375	209,478	225,375	215,624	230,575	217,915
Utilities	2120	36,323	38,333	36,323	40,896	34,826	41,495
Small Tools and Equipment	2130	23,500	1,259	18,000	2,578	9,500	10,500
Medical supplies	2140	78,000	10,599	48,000	14,367	26,500	26,500
Food	2150	4,420	2,651	4,420	435	4,420	4,420
Clothing &personal supplies	2160	13,440	13,106	13,440	12,600	13,440	13,440
Household expenses	2170	16,500	11,578	16,500	11,560	16,500	9,100
Publications and legal notices	2190	1,300	803	1,300	910	1,300	1,300
Memberships	2200	5,312	4,606	5,312	3,158	5,835	13,482
Rents and leases	2250	272,774	280,435	203,360	101,450	203,660	203,660
Repair & service equipment	2270	34,458	12,466	34,458	6,055	41,920	41,920
Vehicle repair services	2271	80,000	127,141	80,000	49,408	40,000	100,000
Gas & oil supplies	2272	8,100	4,615	15,000	25,776	32,100	32,100
Vehicle maintenance-tires	2273	10,000	9,359	10,000	17,059	10,000	15,000
Maint. Radio& electrical equip.	2276	57,380	550	57,380	56	57,380	7,380
Maintenance building & grounds	2281	151,450	44,142	139,050	8,170	31,500	36,500
Employee travel expenses	2303	4,560	3,152	4,560	1,831	4,560	5,400
Professional/Specialized service	2310	293,088	364,934	405,776	434,797	372,565	410,864
Data processing service	2315	960	731	960	4,242	4,200	4,200
Data processing supplies	2316	323	-	323	-	323	323
Information security	2326	2,194	1,919	2,194	4,564	4,620	4,620
Insurance	2360	60,832	56,750	70,394	66,990	97,509	97,509
Firefighting supplies	2474	56,770	72,854	56,770	67,105	96,958	98,458
Recreation/Physical Fitness	2476	2,000	-	1,300		2,600	2,600
Educational Supplies & Courses	2477	19,763	7,790	22,163	7,101	29,263	32,763
Other Special Departmental Exp	2479	3,420	4,560	3,420	10,669	4,270	4,270
Interest on Notes & Warrants	3520	1,000	-	1,000	-	1,000	1,000
Tax Assessments	3530	23,000	21,240	23,000	11,269	23,000	23,000
Total Services & Supplies Expenses		1,511,577	1,326,731	1,525,113	1,136,584	1,434,874	1,498,469
Total Operational Expenses		\$ 8,633,086	\$ 8,455,969	\$ 8,771,238	\$ 8,445,525	\$ 9,024,069	\$ 9,502,888

C. Fire District Fund Balances

Fund	Assigned Amount
Committed	\$ 280,000
Assigned	\$ 563,000
Unassigned	\$ 5,342,675
Fiscal Stabilization	\$ 1,300,000
TOTAL FUND BALANCE 07/01/2024:	\$ 7,485,675

VII. GENERAL FUND EXPENDITURES

The Proposed Budget expenditures assume the Fire District is operating at full staffing. The Fire District is currently at full staffing and anticipates a full staffing complement to provide permanent employees to the two-station configuration for the 2023-24 fiscal year.

VIII. DEVELOPMENT IMPACT FEES:

A development impact fee is a monetary fee that a local government agency charges to an applicant in connection with the approval of a development project for adequately defraying all or a portion of the cost to mitigate the impacts created by such development. The legal requirements for the enactment of the development impact fees program are outlined in Government Code §66000 under the Mitigation Fee Act. The City of Hercules and the Contra Costa County Department of Conservation and Development currently collect fees on behalf of the Fire District. The Fire District's current adopted fee structure established by a Fire Facilities Impact Fee Study is as follows: Single Family Homes: \$1,817; Multi-Family Home: \$1120.00; Accessory Dwelling Unit: \$849.00; Commercial: \$0.91 per square foot; Office: \$1.21 per square foot; Industrial: \$0.52 per square foot and Hotel: \$110.00 per room. Fees that are collected by the Fire District must be held in a separate account and accounted for in a different revenue and expense balance sheet.

Annual report: Government Code §66006 (b)(1) requires that once each year, within 180 days of the close of the fiscal year, the local agency must make available to the public the following information for each separate account established to receive impact fee revenues: No Developer fees are anticipated for the 2023-24 budget cycle. This may be adjusted if projects come to fruition earlier than anticipated.

Some DIF fees remain within the fund balance and are anticipated to be utilized as shown on the following page.

2023-2024 DEVELOPMENT IMPACT FEE EXPENDITURES

FY 2023-24 FIRE FACILITIES FEE REVENUES AND EXPENDITURES			
DESCRIPTION		ADOPTED	PROJECTED
		BUDGET	ACTUAL
		FY 2022-23	FY 2022-23
OPENING FUND BALANCE JULY 1, 2023			
Hercules DIF	233,125		
Rodeo DIF	<u>20,612</u>		
	253,737		
EXPENDITURES			
Purchase of new emergency staff vehicle		48,091	48,091
Outfitting of new emergency staff vehicle		50,000	50,000
TOTAL		98,091	48,091
			50,000

IX. FIVE YEAR REVENUE & EXPENDITURE PROJECTIONS

Preparation of the Final Budget included creating Five-Year Revenue and Expenditure Projections to provide the Board and Staff with a roadmap for financial decisions and policy.

The district prepares a 5-year financial forecast which shall be updated periodically with unexpected changes in economic conditions or other circumstances.

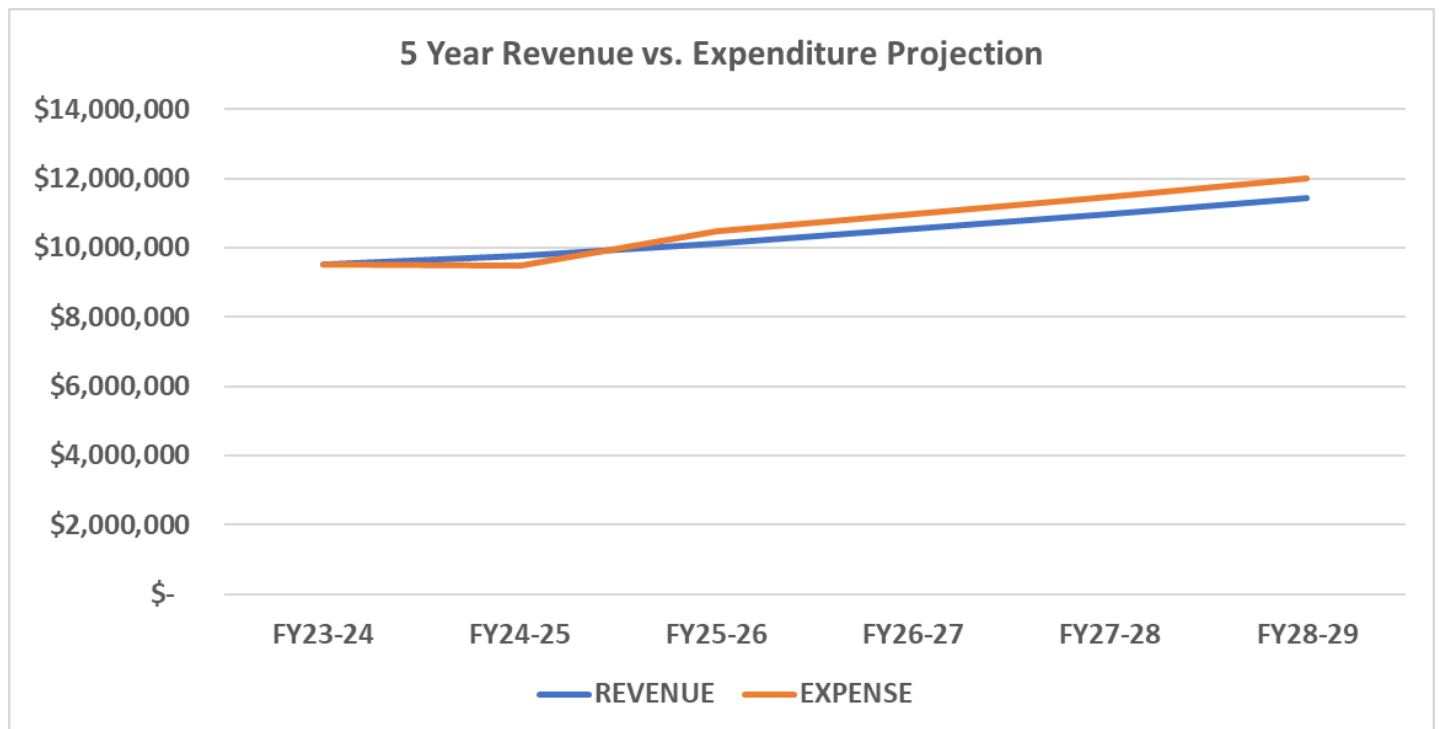


Figure A:

**RODEO-HERCULES FIRE PROTECTION DISTRICT
Five-Year Projections for Revenue and Expenditures**

	FINAL FY2023-24	FY2024-25	FY2025-26	FY2026-27	FY2027-28	FY2028-29
Property taxes	4,595,759	4,733,632	4,875,641	5,119,423	5,375,394	5,644,164
Homeowners Tax Relief	29,000	29,956	29,956	30,855	31,780	32,734
Measure H EMS	86,388	86,388	86,388	86,388	86,388	86,388
Special Tax/Fire (Benefit Assessment)	1,361,582	1,362,081	1,362,081	1,362,081	1,362,081	1,362,081
Total General Fund Revenue	6,072,729	6,212,057	6,354,066	6,598,746	6,855,643	7,125,366
RDA Nonprop tax Pass Thru	639,165	703,082	773,390	850,729	935,801	1,029,382
Measure "O"	2,645,510	2,724,875	2,779,373	2,862,754	2,948,637	3,037,096
Earning on Investment	35,374	36,435	37,528	38,654	39,814	41,008
Other District Revenue	15,183	15,638	16,108	16,591	17,089	17,601
Fire prevention plan review	11,887	11,887	12,244	12,611	12,989	13,379
Philip Grant	99,750	99,750	99,750	99,750	99,750	99,750
TOTAL Other Revenue	3,446,869	3,591,668	3,718,392	3,881,089	4,054,080	4,238,216
TOTAL GRAND REVENUE	9,519,598	9,803,724	10,072,458	10,479,835	10,909,723	11,363,582
Expenditures	-	-	-	-	-	-
Salaries and Benefits	8,004,419	7,940,146	8,824,872	9,266,116	9,729,421	10,215,892
Services and Supplies Expenditures	1,498,469	1,573,392	1,622,168	1,672,455	1,724,301	1,777,754
TOTAL EXPENDITURES	9,502,888	9,513,538	10,447,040	10,938,570	11,453,722	11,993,647
Change in Revenue and Expenditures	16,710	290,186	(374,582)	(458,735)	(543,999)	(630,065)

Assumptions:

- Property Tax Revenue for FY2024-2025 and 2025-2026 will increase by 3% and may increase by 3-5% going forward.
- Special Tax/Benefit Assessment will remain flat based on prior year experience
- Measure "O" will increase by 3% for FY2024-25 and increase by 2% FY2025-26 and increase 3% in subsequent years (at Board discretion)
- Earnings on investment increase by 3%
- RDA Pass Thru will increase by 10%
- Salary and Benefit increases by 5% due to MOU changes and other benefit increases
- Services and Supplies increase by 3.6% in 2024-25, 3.1% 2025-26 and 3.1% subsequent years (Source: U.S Bureau of Labor & Statistics CPI)
- Salary and Benefits for FY2024-25: Unfunded Liability (UAAL) will go down by \$464,494 based on CCCERA Actuarial Valuation
- This schedule does not include the Capital Expenditures proposed in the FY2023-2024 budget.
- The proposed budget in FY2023-2024 is balanced
- This schedule assumes the Phillips 66 will continue to subsidize the District budget for the next 5 years

Note:

If high inflation persists longer than expected or if the Federal Reserve policy causes greater pullback by businesses or individuals, the economy could tip into a mild recession. This could lead to steeper decline in the housing market which will have a negative effect on property tax, which is a major source of revenue for the District.