

# RODEO HERCULES FIRE PROTECTION DISTRICT BOARD MEETING SEPTEMBER 11, 2024

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## Strategic Advisory Services Financial Analysis Project Report



Rodeo Hercules Fire Protection District  
September 11, 2024 Meeting  
Strategic Advisory Services

## Project Overview

Strategic Advisory Services was tasked with completing:

- A review of RHFPD revenues, confirming their accuracy and reporting on their future reliability.
- A review of revenues generated by the Phillips 66 annexation area and the Hercules Successor Agency, and an analysis of their potential as future sources of revenue for the District.
- Our report is based on original source documents, extensive discussions with County staff, District staff and City of Hercules representatives.



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- **Revenue Analysis**

The revenue analysis included all of the District's revenues, generally grouped, with each source described in detail.

These groupings included:

- Property Tax Revenue – nine sub-accounts
- Benefit Districts
- Intergovernmental Revenue
- Measure O tax measure revenue
- Other revenue

The Analysis of Revenue Sources section of the Report includes detailed descriptions of each revenue source, prior years' amounts, and our estimate of the FY 2024-25 revenue the District may receive.



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The Analysis of Revenue Sources includes the following:

*Property Tax*

- Property Tax—current secured taxes
- RDA Pass-Through—from the County/Rodeo Successor Agency
- RPTTF Residual Distribution—(residual property tax increment revenue after all other former RDA obligations are paid)
- Property Taxes—Supplemental
- Property Taxes—Unitary
- Property Taxes—Unsecured
- Property Taxes—Prior Secured
- Property Taxes—Prior Supplemental



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The Analysis of Revenue Sources includes the following:

*Benefit Districts—the District has two Benefit Districts:*

- *Fire Suppression Fee—adopted in 1987—creates “risk factors” which are applied based on six fire safety components. Each risk factor is charged \$52 per year*
- *A Supplemental Assessment Fee - adopted in 1998 - which created a benefit assessment district based on the same risk factors as the 1987 fee. Each risk unit is charged \$59 per year*



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The Analysis of Revenue Sources--continued:

*Intergovernmental Revenue*

- H/O Property Tax Relief
- Other In-lieu fees
- RDA Non-Property Tax Pass Through—pass through revenue from the Hercules Successor Agency
- Earnings on Investments
- Fire Prevention Plan Review
- Miscellaneous Current Services
- Measure H—a County Service Area created to improve emergency medical services



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The Analysis of Revenue Sources--continued:

- *Measure O—Measure O was approved by the voters in the District which approved a special tax to finance fire protection and emergency services. The rate for 2024-2025 has been established as \$251.00 per parcel, with exemptions for senior households.*
- *Other Revenue—Grant Funds. Phillips 66 has provides \$99,000.00 per year recognizing the District's provision of services to the refinery.*



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Revenue Analysis--Summary & Conclusions

- The analysis of the District's revenues for FY 2024-25 recommends different estimates for some specific revenue sources—but the estimate of total revenues of \$10,240,389 does not differ substantially from the Preliminary Budget estimate of \$10,180,317.
- Revenues from the Redevelopment Property Tax Trust Fund (RPTTF) will vary from year to year based on the funds available after Hercules bond payments are satisfied each year. The Hercules Successor Agency's current enforceable obligations are listed as \$226,345,512, including bond debt service of \$112,704,324. The debt service for 2024 will increase from \$3,635,371 to \$7,853,290 in 2026, potentially affecting the pass-through payments and available residual payments to the District.
- No other sources of current year revenue were found that would positively affect the RHFPD resources for FY2024-25.





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- **Potential Renegotiation of the Property Tax Sharing Agreement with Contra Costa County for the 1996 Annexation of the Phillips 66 Refinery**
- The annexation was conducted in accordance with State Law and LAFCO requirements
- The annexation required:
  - An agreement between the District and Unocal for fire services
  - An agreement between the District and Contra Costa County for annexation of the property to the District
    - The agreement included provision for the District to receive the *incremental increase* in the property tax annexed over the base year
    - The agreement also included distribution of that increment based on the County's Master Property Tax Sharing Agreement which was used for other annexing agencies



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- The annexation agreements have been followed since the annexation became effective.
- The County includes the revenue generated from the annexed area in the annual property tax allocated to the District.
- The County aggregates the various property taxes due the District and reports them as a lump sum.
- If the District were to request a modification to the existing tax sharing arrangement the County, the District would first be required to complete a detailed analysis of the allocations and prepare a proposed reallocation plan for County consideration.
- There is no requirement that the County would be required to modify the current agreements or allocations of those funds.
- In addition, we are not aware of instances where the County's Master Tax Sharing Agreement terms have been renegotiated.



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- **Evaluation of the Availability of Redevelopment Pass-Through Funding from the Hercules Successor Agency**
- Our revenue analysis concluded that the Hercules Redevelopment Successor Agency has “caught up” and paid all past pass-through obligations to the District through the RPTTF.
- Future pass-through payments from the RPTTF may vary from year to year, depending on the funds remaining after higher priority enforceable obligations, such as bond debt service, are satisfied.
- The County then distributes any “residual” amounts remaining in the RPTTF to the affected agencies based on their existing tax increment allocations.
- Allocations are subject to the Successor Agency receiving approval from the State for the enforceable obligations.



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- **Evaluation of the Availability of Redevelopment Pass-Through Funding from the Hercules Successor Agency**
- Based on the Hercules Successor Agency’s increasing debt service obligations and the tax increment revenue available, future pass-through payments and “residual payments” may be at risk. We do not foresee a substantial increase in these revenue sources.

