

**RODEO-HERCULES FIRE PROTECTION DISTRICT****MEMORANDUM**

**TO:** Board of Directors, RODEO-HERCULES FIRE DISTRICT

**FROM:** Rebecca Ramirez, Interim Fire Chief

**DATE:** September 11, 2024

**SUBJECT:** Fiscal Year 2024-25 Final Budget

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**BACKGROUND:**

CA H&S §13890 requires that on or before October 1st of each year, a district board shall adopt a final budget which shall conform to the accounting and budgeting procedures for special districts contained in Subchapter 3 (commencing with §1031.1) of, and Article 1 (commencing with §1121) of Subchapter 4 of, Chapter 2 of Division 2 of Title 2 of the California Code of Regulations. If the board cannot adopt a budget before that deadline, the previous fiscal year budget will remain until a budget is adopted.

The Rodeo-Hercules Fire Protection District (RHFD) is an autonomous special district under CA H&S §13800. Revenue to the Fire District is primarily derived from ad valorem property tax, property-based special benefit assessment, a supplemental benefit assessment, and one tax measure.

At present, the fiscal year 2024-25 proposed revenues are expected to be \$10,240,388 and expenditures are anticipated to be \$10,523,265. The result is a deficit of -\$282,877.<sup>[1]</sup> As of July 1, 2024, the estimated fund balance was \$7,133,869. Pending audit results (due in January 2025), this number may change.

This budget is forecasted by planning for moderate to low level of expenditures and only a mildly conservative mindset when planning for revenues. Despite the efforts of staff and dedication of this Board, the Budget for FY 2024-25 places the district in a position of deficit spending. If the deficit is realized, the fund balance will need to be accessed. However, 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, and the budget deficit may not be fully realized. Additionally, reserve funds will be required if capital projects and purchases are to be accomplished.

**IMPACTS OF ANNEXATION:**

On July 31, 2024, the Board approved a resolution of application to the Contra Costa Local Area Formation Commission (LAFCo) requesting dissolution of the Rodeo-Hercules Fire Protection District (RFFPD) and annexation into Contra Costa County Fire Protection District (CCCFPD). This action will lead to significant efficiencies and economies of scale, part of which are expected to be realized as the year continues. It is expected that mid-year modifications will be needed as the impacts of annexation become clear. In anticipation of the annexation, this budget does not include significant additional expenditures for previously identified administrative and training support staff that would be recommended for providing adequate service to the residents should the District remain independent.

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<sup>[1]</sup> This figure does not include fund balances carried over from prior years and excludes Capital expenditures.

## **Budget Goals for Fiscal Year 2024-25:**

In preparing the Budget, staff have developed a budget that recognizes the Fire District's current obligations and provides accurate information on the fiscal realities faced by the Fire District. The Fire District will continue its efforts to secure additional revenue sources, remain good fiscal stewards, and provide for the health and safety of the community and firefighters. Some key areas for 24-25 focus are outlined below:

**Compensation and benefits:** Ensure personnel costs are adequately forecasted for potential yet reasonable levels of exposure and retirement obligations. The Fire District enjoys a cooperative relationship with the United Professional Firefighters of Contra Costa County. The current MOU with District represented employees expires June 30, 2025, and pending annexation will not need to be renegotiated.

**Training:** Increase budget for training and training related overtime to improve firefighter and civilian safety. Placeholder amounts have been added both in overtime and training budgets to account for some limited additional training for fire investigation, firefighter, engineer, and officer development. It is anticipated that as the annexation nears these training opportunities may increase, and future adjustments may be requested.

**Operations/Capital:** Repair/replace communication equipment (grant submitted), computers, and cardiac monitors (grant submitted), Thermal Imaging Cameras (TIC, grant submitted). Repair/maintain apparatus and, execute a contract for purchase for a new Type 3 Brush apparatus (in coordination with CCCFPD pending annexation). Continue to apply for Phillips 66/Rodeo Renewable Fuels for annual grant for Q76.

**Facilities/Capital:** Repair facilities to create a healthy and positive living environment for fire personnel. Complete projects to renovate both stations kitchens and the training room/EOC. Air conditioning unit at station 75 and multiple desk top computers to be replaced.

**Fire Prevention:** To become more consistent with inspections and mandated reporting, increase cost recovery, capacity and resilience, and better serve the community, an extension to the outsourced contract for service was executed with CSG Consultants. To account for weed abatement, an increase in inspections, and the coverage to backfill the recently vacated part time fire prevention position (which will not be filled in anticipation of annexation) both an increase and a transfer from Personnel to Professional Services have been included within the final budget.

**Financial Stabilization:** Continue to pursue cost recovery and grant opportunities. Continue to increase fund stabilization allotment to account for salary increase (four-month stabilization fund).

The Fire District will continue to work with its Battalion 7 partners to provide service to the community regarding emergency operations.

### **FINAL BUDGET:**

The staff has prepared the budget based on fiscal forecasting, revenue projections, and unaudited fund balances.

### **Revenue**

To more comprehensively assess all revenue sources and the accuracy of projected revenue further analysis by Strategic Advisory Services (SAS) was conducted. The analysis of RHFPD FY 2024-25 estimated revenues indicates that while their report recommends somewhat different estimates for some specific revenue sources, the overall estimate of total revenues of \$ 10,240,388 do not differ substantially from the Preliminary Budget estimate of \$10,180,371.

The FY 2024-25 budget projects a total revenue of \$10,240,388 with an increase of 3.4% in secured

property taxes from the prior-year actual received revenue (as of August 2024) prior to completion of audit. A change in audited figures would affect the calculations. 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.

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	\$5,182,857	51%
• Benefit Assessment	\$1,363,968	13%
• Measure O	\$2,725,107	27%
• Miscellaneous other	<u>\$ 968,456</u>	<u>9%</u>
	\$10,240,388	100%

**Expenditures**

The budget includes the following assumptions and significant expenditures:

- Regular and routine increases to compensation and benefits as agreed upon in the MOU with Local 1230, along with matching increases to administrative compensation and benefits
- Contra Costa County Employees' Retirement Agency (CCCERA) retirement system costs for current employees' ongoing payments and the unfunded liabilities (UAAL) incurred for the pensions for current and retired employees.
- Increase of overtime for backfill, training, and FSLA
- Medical benefits costs for current and retired employees
- Workers Compensation
- Apparatus lease purchase
- Apparatus Maintenance
- Professional Services for Fire Prevention
- Capital projects
- Four months of salary for Financial Stabilization Fund

Total regular and recurring operational expenditures for fiscal year 2023-24 are \$10,523,265.

**Capital**

Two Assistance for Firefighting Grants (AFG) have been submitted to replace failing communication equipment and cardiac monitors that have reached the end of their useful life. The required matching funds have been included in the budget. If unsuccessful in obtaining alternative funding, additional capital funding during the 24-25 budget may be sought. (Annexation with CCCFPD may negate need for mid-year request). Continued plans to further improve the facilities and address deferred maintenance in both stations 75 and 76 are included. Additional bids will be needed and will require adjustment once obtained. Replacement of desktop computers is included within this budget as have some improvements to the training facilities. A change since the mid-year budget included the addition of an air conditioning unit for Station 75. The total request for Capital improvements in 2024-25 budget is \$373,000

**RECOMMENDATION:**

Staff recommends approval of the final operating budget of \$10,523,265 and capital budget of \$373,000. Changes identified by the Board of Directors during the budget presentation(s), if any, will be reflected in the published final budget.