

Phase One:

FINANCIAL ANALYSIS

Fire District Annexation

December 2020



Contra Costa County
Fire Protection District



East Contra Costa
Fire Protection District



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INTRODUCTION & PURPOSE OF THE STUDY

AP Triton Consulting, LLC (Triton) was retained by the Contra Costa County Fire Protection District (CCCFPD) to conduct a two-phase study for a potential annexation of the East Contra Costa Fire Protection District (ECCFPD) and the Rodeo-Hercules Fire District (RHFPD).

This document reflects Phase One of that study and entails Triton's review and analyses of financial projections and current budget information as it relates to the conceptual annexation of East Contra Costa FPD by Contra Costa County FPD.

Triton's assessment incorporated organizational and operational expenditure projections previously prepared by CCCFPD. The process was developed to coincide with the concept of annexation by the Contra Costa County Fire Protection along with an analysis of the revenue history of the East Contra Costa Fire Protection District.

The final portion of this study includes Triton's observations, conclusions, and recommendations on the next steps that should be taken in the potential annexation process.

Acknowledgments

AP Triton Consulting wishes to acknowledge and extend its appreciation to Chief Lewis Broschard of the Contra Costa County Fire Protection District and Chief Brian Helmick of East Contra Costa Fire Protection District for their assistance with this project.

FINANCIAL ANALYSIS

Historical Perspective of East Contra Costa FPD

The East Contra Costa County Fire Protection District, a combination of the Bethel Island Fire District, the East Diablo Fire District, and the Oakley Fire District, was formed in November 2002. At formation, ECCFPD operated from eight fire stations using a combination of career, paid-on-call, and volunteer firefighters. Within eight years, the economic downturn affected the revenue stream of the District forcing it to begin closing fire stations. Two stations were closed in July 2010 and three more closed in November 2012. ECCFPD was awarded a SAFER staffing grant in August 2012, which allowed the District to reopen a station in November 2012 and another in May 2013. At the conclusion of the SAFER grant in September 2014, one station was closed as employees sought employment elsewhere. In July 2017, another station was closed with service being provided from the remaining three stations. These closures occurred despite an increase in call volume from 6,260 in 2011 to 7,679 in 2019.

East Contra Costa FPD Revenues

Over the past several years revenues from property taxes have increased substantially, from \$10,353,000 in FY 14/15 to \$14,372,000 in FY 18/19 to an approximate 40% total increase of 8% annually.¹ Contra Costa County distributes property tax revenue to ECCFPD under the Teeter Plan which provides for the District to receive 100% of the property tax assessments annually. In return, the District allows the County to retain interest and penalties on the collection of late property tax payments. Redevelopment Agency (RDA) pass-through revenues have fluctuated between \$390,000 in FY 14/15 (low) and \$638,000 in FY 16/17 (high).² Intergovernmental revenues, typically reimbursements for assisting in wildfires, have been received during the prior years from FY 14/15 through FY 17/18.

In 2016, the Contra Costa County Board of Supervisors approved a reallocation of property tax funding from the Byron-Bethany Irrigation District to ECCFPD. These funds, beginning in FY 17/18, have provided more than \$800,000 annually to the District. The funding is continuous and will be for the benefit of the entity providing fire and EMS services to the area. The District assesses a First Responder Fee to recipients of EMS and a Fire Recovery Fee for other fire-related responses. Measure H funding is provided by Contra Costa County to offset a portion of providing EMS services. Other recurring revenues include homeowner property tax relief and other "in-lieu" taxes.

It is critical for an agency to have a stable and reliable source of revenue each year. Revenue that is anticipated and reasonably quantifiable to be received from year to year is considered to be "recurring revenue." Property taxes and other forms of taxation are examples of recurring revenues. Non-recurring revenues, conversely, are receipts that may or may not be received annually or that are not reasonably quantifiable each year. Examples of these types of receipts are grant funds, loan proceeds, insurance proceeds, reimbursements of extraordinary expenses, and any other miscellaneous receipts.

ECCFPD receives parcel tax revenue from several Community Facilities Districts (CFD) formed according to the Mello-Roos Act (Gov. Code Section 53311 et seq.). These revenues primarily fund operating costs to increase service levels for properties participating in the CFDs. The District also receives revenue from fire facility impact fees imposed under the Mitigation Fee Act (Gov. Code 66000 et seq.) by the City of Brentwood, City of Oakley, and Contra Costa County. These are one-time fees paid by new development to mitigate the capital costs of providing service to this development.

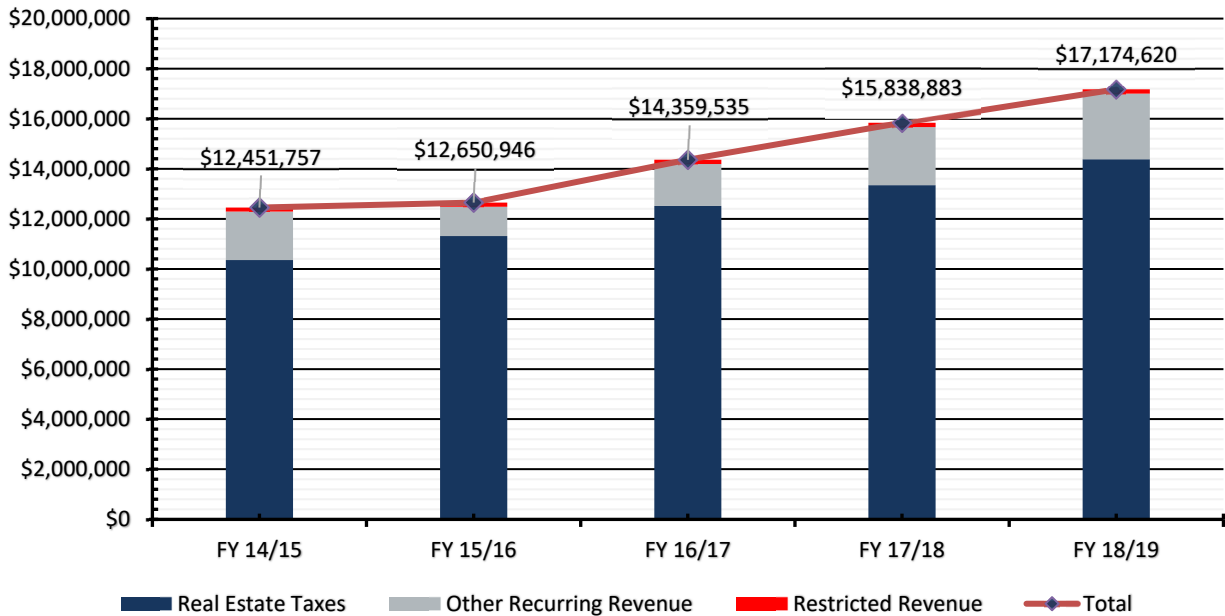
The following figure provides a historical perspective on these revenue sources.

Figure 1: ECCFPD Historic Revenue Sources (FY 14/15–FY 18/19)³

Revenue/Expenses	FY 14/15 Actual	FY 15/16 Actual	FY 16/17 Actual	FY 17/18 Actual	FY 18/19 Actual
Property taxes	10,353,555	11,316,855	12,515,243	13,343,148	14,379,074
Pass-throughs from others	389,467	559,464	638,057	477,057	606,234
Homeowner property tax relief	89,406	90,264	90,404	91,324	90,451
Other in-lieu taxes	15,399	14,950	14,967	14,981	14,426
Other revenues	5,961	1,993	15,785	—	—
Use of money & property	—	—	—	15,600	15,600
Investment earnings	—	—	—	—	—
Intergovernmental revenues	1,437,691	498,896	915,918	218,391	534,247
Byron-Bethany Irrigation District	—	—	—	802,280	839,358
First Responder Fee	—	—	—	—	95,000
Fire recovery Fee	—	—	—	—	16,000
Recurring Revenue	12,291,479	12,482,422	14,190,374	14,962,781	16,590,390
Charges for services	—	—	—	80,186	379,697
Shea Homes Settlement	—	—	—	623,000	—
JAC PV Ed Reimbursements	—	—	—	—	28,652
Non-Recurring Revenue	—	—	—	703,186	408,349
Measure H	—	—	—	—	—
Bethel Island Development Fee Fund Revenue	1,971	6,154	3,143	989	—
East Diablo Development Fee Fund Revenue	—	—	—	1,380	—
Cypress Lakes CFD Fund Revenue	158,307	162,370	166,018	170,547	175,881
Oakley Development Fee Fund Revenue	—	—	—	—	—
Delta Coves CFD	—	—	—	—	—
Total Special Revenue (Net):	160,278	168,524	169,161	172,916	175,881
TOTAL REVENUES:	12,451,757	12,650,946	14,359,535	15,838,883	17,174,620

The following figure provides a visual format of information from the preceding Figure 1 and indicates the trend in the growth of property tax and total revenues from Fiscal Years 14/15 to FY 18/19.⁴

Figure 2: ECCFPD Historic Revenues Indicating Trends (FY 14/15–FY 18/19)



Revenue Projections

The initial revenue projections for ECCFPD were provided to AP Triton by the District. After review of these projections, it was determined that the property tax revenue growth estimates were extremely conservative, based on the trends of the prior five years. To better estimate future revenue, adjustments have been made to the figures provided by the District. Triton used revenue information provided by ECCFPD for FY 21/22 and increased that by 4% annually. Revenue from Byron-Bethany Irrigation District and the First Responder Fee revenue, using the CCCFPD First Responder Fee structure and experience, is projected to increase by 2% annually. The Fire Recovery Fee was eliminated in the revenue projections. Other revenues are not projected to increase during the period.

The following figure is the revenue portion of the ECCFPD adopted budget for FY 20/21 and forms the basis for the revenue projections in Figure 4.

Figure 3: ECCFPD Adopted Budget (FY 20/21 Revenues)

Revenue	FY 20/21 Adopted Budget
Property taxes	15,671,269
Pass-throughs—other agencies	477,056
Homeowner property tax relief	93,150
Other in-lieu taxes	15,281
Other revenues	—
Use of money & property	7,500
Fire Prevention	237,000
Intergovernmental	—
Byron-Bethany Irrigation District	946,514
First Responder Fee	160,000
Fire recovery Fee	51,000
Recurring Revenue:	17,658,770
JAC PV Ed Reimbursements	4,500
Non-Recurring Revenue:	4,500
Measure H	218,087
Bethel Island Development Fee Fund Revenue	—
East Diablo Development Fee Fund Revenue	—
Cypress Lakes CFD Fund Revenue	182,800
Oakley Development Fee Fund revenue	—
Delta Coves CFD	11,640
Total Special Revenue:	412,527
TOTAL REVENUES:	18,075,797

Figure 4: ECCFPD Projected Revenues (FY 21/22–FY 26/27)

Revenue	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27
Property taxes	16,290,283	16,941,894	17,619,570	18,324,352	19,057,327	19,819,620
Pass-throughs–other agencies	477,056	477,056	477,056	477,056	477,056	477,056
Homeowner property tax relief	93,150	93,150	93,150	93,150	93,150	93,150
Other in-lieu taxes	15,281	15,281	15,281	15,281	15,281	15,281
Other revenues	—	—	—	—	—	—
Use of money & property	15,000	15,000	15,000	15,000	15,000	15,000
Investment earnings	—	—	—	—	—	—
Intergovernmental	—	—	—	—	—	—
Byron-Bethany Irrigation District	956,515	975,645	995,158	1,015,061	1,035,363	1,056,070
First Responder Fee	175,000	178,500	182,070	185,711	189,426	193,214
Fire recovery Fee	—	—	—	—	—	—
Recurring Revenue:	18,022,285	18,696,526	19,397,285	20,125,611	20,882,603	21,669,391
JAC PV Ed Reimbursements	1,240	1,265	1,290	1,316	1,342	1,369
Non-Recurring Revenue:	1,240	1,265	1,290	1,316	1,342	1,369
Measure H	218,087	218,087	218,087	218,087	218,087	218,087
Bethel Island Development Fee Fund Revenue	—	—	—	—	—	—
East Diablo Development Fee Fund Revenue	—	—	—	—	—	—
Cypress Lakes CFD Fund Revenue	186,996	190,736	194,551	198,442	202,410	206,459
Oakley CFD	65,000	65,000	65,000	65,000	65,000	65,000
Delta Coves CFD	24,000	36,000	48,000	52,000	64,000	68,000
Total Special Revenue:	494,083	509,823	525,638	533,529	549,497	557,546
TOTAL REVENUES:	18,517,608	19,207,614	19,924,213	20,660,456	21,433,442	22,228,306

CCCFPD Costs of Anticipated Levels of Service

Emergency response agencies require adequate staffing, facilities and equipment, and related operating costs to perform their mission. Contra Costa Fire Protection District is applying its cost structure to the staffing of ECCFPD fire stations for the projections. The projections include maintaining the existing staffing levels of three stations with the expansion of adding two additional three-person companies to be staffed over the following 12 months.

Expenditure Projections

Salaries and benefits, which include Medicare payroll taxes, health insurance, and pension costs for the line positions—Captains, Engineers and Firefighters—were assumed to be entering the CCCFPD system at the Step 3 level in the CCCFPD salary schedule for this analysis. The Captain and Engineer classifications include nine positions each in the first year of the operation, and grow to fifteen in the second year. Nine firefighter positions are included in the initial year of operations, but the additional six positions added in the second year will be firefighter/paramedics.

Overtime is calculated at 13% of personnel costs based on CCCFPD historical overtime cost experience. As previously stated, the projections include maintaining the existing staffing levels of three stations with the expansion of adding two additional three-person companies to be staffed over the following 12–18 months. These personnel costs are projected to increase 10% annually in the first five years and 6% annually beginning in the sixth year of the projections. Other post-employment benefits (OPEB) Prepayments and Retiree Health costs are additional benefit costs that are projected to increase 3% annually. Fire prevention personnel are assumed to be “cost neutral” for this analysis due to fee revenue associated with fire prevention activities.

Administrative personnel (one business manager, two clerical positions, and one payroll clerk) can be absorbed into the existing Con Fire staffing. Additional program support for grant applications and grant management, as well as cost recovery, may be able to be fully supported by these additional positions.

Operating costs include fuel, apparatus repairs and maintenance, professional fees, the cost of the CalFire contract for the Sunshine Station, and facility maintenance and utilities. Operating costs are projected to increase by 3% annually beginning in the second year.

Apparatus and equipment have useful lives that may be established through a replacement schedule or functional obsolescence. It is critical to the cost-effective and safe operation of these assets to provide funding for the timely replacement of apparatus and equipment. CCCFPD recently acquired three Type I engines; lease payments for these will continue through the first three years of the projections.

Additional apparatus are expected to be acquired under lease arrangements or through the use of capital funds during the projection years. It is anticipated that a new ladder truck, with a cost of approximately \$1,500,000, will be acquired using capital reserve funds, within the first 18 months after the annexation is completed. CCCFPD has an established capital equipment replacement plan. Apparatus and equipment for the annexed stations will be included in this plan.

Figure 5: Projected Expenditures (FY 21/22–FY 26/27)

Expenses	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27
Assistant/Deputy Chief (1)	500,000	530,000	561,800	595,508	631,238	669,113
Battalion Chiefs (4)	1,480,000	1,628,000	1,790,800	1,898,248	2,012,143	2,132,871
Captains, 9 year 1, 15 year 2	2,295,000	4,207,500	4,628,250	5,091,075	5,600,183	5,936,193
Engineers 9 year 1, 15 year 2	2,070,000	3,795,000	4,174,500	4,591,950	5,051,145	5,354,214
Firefighters 9 in years 1 - 6	1,710,000	1,881,000	2,069,100	2,276,010	2,503,611	2,653,828
Firefighter/Paramedics 6 beginning year 2	—	1,086,000	1,194,600	1,314,060	1,445,466	1,590,013
Overtime factor @ 13%	982,150	1,637,675	1,801,443	1,972,275	2,159,631	2,296,725
Total Salaries & Benefits:	9,037,150	14,765,175	16,220,493	17,739,126	19,403,417	20,632,957
OPEB Prepay	275,000	283,250	291,748	300,500	309,515	318,800
Retiree Health costs	363,000	373,890	385,107	396,660	408,560	420,816
Fuel	75,000	77,250	79,568	81,955	84,413	86,946
Tires	25,000	25,750	26,523	27,318	28,138	28,982
Apparatus Maintenance	100,000	103,000	106,090	109,273	112,551	115,927
EBRCS Fees	45,000	46,350	47,741	49,173	50,648	52,167
Tax collection fees @1% or tax revenue	162,903	169,419	176,196	183,244	190,573	198,196
CalFire Sunshine Station	550,000	566,500	583,495	601,000	619,030	637,601
Station 55	50,000	51,500	53,045	54,636	56,275	57,964
Station 52	50,000	51,500	53,045	54,636	56,275	57,964
Station 53	50,000	51,500	53,045	54,636	56,275	57,964
Station 59	50,000	51,500	53,045	54,636	56,275	57,964
Station 51	—	—	—	54,636	56,275	57,964
Total Services & Supplies:	1,795,903	1,851,409	1,908,645	2,022,303	2,084,805	2,149,254
Total Recurring Expenses:	10,833,053	16,616,138	18,129,581	19,761,429	21,488,222	22,782,212
Firefighting equipment replacement fund payment	130,930	134,858	138,904	143,071	147,363	151,784
CCE Type I Engines (3)	522,217	522,217	522,217	—	—	—
Type I Engines (2) [^]	—	160,000	160,000	160,000	160,000	160,000
Type 3 Engines (2) [^]	—	70,000	70,000	70,000	70,000	70,000
Water Tenders (2) [^]	—	65,000	65,000	65,000	65,000	65,000
Utility pick-ups (2)	12,000	12,000	12,000	12,000	12,000	12,000
BC & AC Vehicle (5)	54,000	54,000	54,000	54,000	54,000	54,000
Total Capital Costs & Lease:	719,147	1,018,075	1,022,121	504,071	508,363	512,784
TOTAL EXPENDITURES:	11,552,200	17,634,659	19,151,259	20,265,500	21,996,585	23,294,995

[^]To be ordered

Other Financial Information

Governmental entities are limited in their ability to rapidly create new funding sources. This results in a need to maintain a reserve balance of some amount. The Net Cash Flow and Cumulative Cash Flow shown in the following figure are isolated to the projected revenues versus projected expenditures shown in the preceding Figures 4 and 5.

Figure 6: Summary of Revenues & Expenditures (FY 21/22–FY 26/27)

Revenues/Expenses	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27
Recurring Revenue	18,022,285	18,696,526	19,397,285	20,125,611	20,882,603	21,669,391
Non-Recurring Revenue	1,240	1,265	1,290	1,316	1,342	1,369
Total Special Revenue (Net)	494,083	509,823	525,638	533,529	549,497	557,546
TOTAL REVENUES:	18,517,608	19,207,614	19,924,213	20,660,456	21,433,442	22,228,306
Total Salaries & Benefits	9,037,150	14,765,175	16,220,493	17,739,126	19,403,417	20,632,957
Total Services & Supplies	1,795,903	1,851,409	1,908,645	2,022,303	2,084,805	2,149,254
Total Recurring Expenses	10,833,053	16,616,584	18,129,138	19,761,429	21,488,222	22,782,211
Capital Costs & Lease Pmnt.	719,147	1,018,075	1,022,121	504,071	508,363	512,784
TOTAL EXPENDITURES:	11,552,200	17,634,659	19,151,259	20,265,500	21,996,585	23,294,995
Net Cash Flow (Deficit)	6,965,408	1,572,955	772,954	394,956	(563,143)	(1,066,689)
Cumulative Cash Flow	6,965,408	8,538,363	9,311,317	9,706,274	9,143,131	8,076,441

ECCFPD has accumulated significant reserve balances in operating reserves, capital equipment replacement funds, and capital facilities maintenance funds. These funds would be available to provide for potential shortfalls and other liabilities. These reserves total an estimated \$13,000,000 based on the adopted FY 20/21 ECCFPD Budget.

CONCLUSIONS & RECOMMENDATIONS

Observations & Conclusions

The following represents Triton's observations which were developed during the financial analysis. The results provided the basis to make the following conclusions:

- The East Contra Costa Fire Protection District has a funding stream sufficient to provide adequate staffing for three fire stations.
- ECCFPD has adopted a development impact fee program and established community facilities districts to provide funding for capital infrastructure to mitigate the impacts of new development.
- CCCFPD will provide paramedic staffing beginning in year two.
- In 2016, Byron-Bethany Irrigation District (BBID) was ordered to annually transfer funds to ECCFPD or a successor agency to provide fire protection and EMS to areas within the irrigation district.
- Property tax revenues have increased at an annual rate of 8% over the previous five years as indicated in the ECCFPD annual audit reports.
- Additional real estate development is anticipated within ECCFPD.
- ECCFPD has significant cash reserves for operational and capital repairs and replacement needs.
- Over the projection period, expense growth outpaces revenue growth leading to a deficit in cash flow in the sixth year of the projections.
- Contra Costa County FPD has the capacity, funding, and administrative support to successfully integrate ECCFPD operations into its organizational structure.
- The CCCFPD proposal will immediately fund the current service level and, within 12 months of the annexation, will fund two additional three-person companies and staff Station 55, a currently unstaffed fire station.
- Measure X, a half-cent sales tax on a countywide basis is expected to generate approximately \$81 million annually, with a yet to be determined amount being made available to support fire services.

Recommendations

Based on the financial analysis, observations, and conclusions, Triton recommends that Contra Costa County FPD and East Contra Costa consider the following:

- The fire districts should consider taking the next steps toward annexation of ECCFPD into CCCFPD. Triton believes this would result in economies of scale and a more cost-effective overall organization.
- Additional sources of revenue to fund operations should be explored to ensure operational cash-flow continues to produce an excess.
- Long-lived assets such as apparatus and equipment need to be replaced on a scheduled basis, requiring the accumulation of reserve funding.
- The fire service should pursue the possibility of acquiring a portion of the Measure X funding, as it could greatly enhance the ability to open additional ECCFPD fire stations.

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APPENDIX B: DATA SOURCES

¹ East Contra Cost Fire Protection District Annual Audit Reports, FY June 30, 2015 through Draft Report for FY June 30, 2019.

² East Contra Cost Fire Protection District Annual Audit Reports, FY June 30, 2015 through Draft Report for FY June 30, 2019.

³ Ibid.

⁴ Ibid.