City of Venice, FL

Fire Rescue Assessment Methodology Discussion

March 17, 2017

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Agenda

- Introduction to Stantec
- Fire Special Assessment Background
- Methodology Alternatives
  - Availability Methodology
  - Calls-For-Service Methodology
- Preliminary Assessment Calculations
- Property Impact Analysis
- Next Steps

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Agenda

- Primary Goal of Today's Meeting:
  - Receive consensus on which preferred methodology
  - Open discussion for program financial options
    - Program goals
    - Cost recovery/Revenue target
    - Millage offset

Introduction to Stantec

Introduction to Stantec

- Formally Burton & Associates
  - Served as Financial, Rate and Assessment Consultants in Florida for 29 years
  - Nearby Fire Assessment Clients:
    - City of North Port, Cape Coral, Fort Myers, DeSoto County
- Project Team:
  - Mike Burton – Principal
  - Erick van Malssen – Managing Consultant
  - Vita Paltridge – Consultant
  - Peter Napoli – Analyst

Fire Special Assessment Background

Fire Special Assessment Background

- **Non-Ad Valorem Fire Special Assessments are an alternative revenue mechanism used to directly fund fire suppression services**
  - **By law, assessment revenues must be used for fire suppression services funding**
  - **Any costs not recovered by the Assessment (i.e. exemptions, EMS costs) must be funded by the General Fund or other Fire/EMS revenue sources**
- **The City currently funds Fire suppression services through Ad Valorem taxes and other General Fund revenues**

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Fire Special Assessment Background

- Why would the City consider a Fire Special Assessment?
  - Provides a diversified revenue source
    - Not subject to external variable forces such as property value fluctuations
  - All property owners receiving benefit from the fire suppression service provided by the City will pay a fair share of the costs
  - May free up General Fund financial resources that currently support fire suppression service to fund other City needs
  - Could be offset in whole or in part by a millage reduction

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Fire Special Assessment Background

- Legal Requirements for all assessment programs
  - Two pronged test
    - The property assessed must derive a <u>special benefit</u> from the service provided
    - The assessment must be <u>fairly and reasonably apportioned</u> among the properties that receive the special benefit
  - Due process before the assessment is imposed
    - Mailed and published notice
    - Public hearing
- Property assessed must be within City limits
- Exclusions: rights-of-way, submerged lands, etc.
- Exemptions: required governmental & agricultural
  - Optional exemptions: institutional, churches, non-profits etc.

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Fire Special Assessment Background

- **How would it work?**
  - **All parcels in the City would pay their fair share of the costs of Fire Service that are included in the assessment**
  - **The assessments will be included on property owner's annual tax bill**
  - **Costs can be apportioned to parcels in one of two ways,**
    - **Availability Methodology**
      - **Readiness-to-serve concept which is based upon protection of loss of the value of structures independent upon calls for service**
    - **Calls-for-Service**
      - **Demand concept which apportions costs to property classes based upon the historical demand for services informed by call/incident data**
  - **Both methods have been validated by Florida courts**

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Fire Special Assessment Background

- The Fire Special Assessment can be adopted at 100% recovery of eligible fire costs or at any lower percentage desired
  - Example 1: Adopt at 100% cost recovery to fully fund Fire services through the Assessment program
    - Some revenue support from other General Fund revenues required to offset exempted properties
  - Example 2: Adopt at 25% cost recovery, recovering approximately $2 million annually to provide funding for Capital needs.

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Methodology Alternative 1

Availability Methodology

Availability Methodology

- Based upon the benefit conferred on all parcels by the availability of fire protection service whether or not a request for service is ever made
- Availability-based cost apportionment with two tiers of benefit
  - Tier 1 Benefit – Availability – Apportioned to all parcels, improved and un-improved
    - All properties are charged the Tier 1 rate
    - Single fee per parcel
  - Tier 2 Benefit – Protection from loss of structures – Apportioned to improved parcels only in proportion to the value of the structures on the parcel
    - Only developed properties are charged the Tier 2 rate
    - Charge per every $5,000 of structure value on parcel
    - Structure value represents the depreciated replacement cost of buildings and extra features, not taxable or assessed value

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Availability Methodology

- The special benefits conferred in each category above include the following:
  - Response Readiness Availability – all properties
    - Availability of immediate response to fire
    - Enhanced property value
    - Enhanced marketability of and/or ability to develop property
  - Protection from Loss of Structures – improved properties
    - All of the above benefits, plus
    - Protection from the loss of structures on the property due to fire
      - Ability to obtain fire insurance and to obtain that insurance at attractive rates
      - Protection from loss by the availability of fire suppression service provided by the City

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Availability Methodology

Preliminary Calculations

Note: All calculations are preliminary at this time and may change slightly as data is updated throughout the study process.

Calculation of Assessable Costs

Fire Expenditures by Category	FY 2018	
Personnel Services	$ 7,268,290	
Operating Costs	$ 497,645	
Capital Outlay	$ 127,500	
5-Year Average Annual Capital Costs	$ 1,266,189	Currently Unfunded
Total Fire Expenditures	$ 9,159,624	
Plus: Assessment Costs - Allowance for Early Payment	$ 374,000	4% of NRR
Plus: Assessment Costs - County Property Appraiser	$ 187,000	2% of NRR
Plus: Assessment Costs - Tax Collector	$ 187,000	2% of NRR
Plus: Assessment Notice Mailing Costs	$ 11,000	
Net Revenue Requirement for Assessment	$ 9,918,624	
Less: Fire Casualty Insurance Premium - Revenues	$ (272,353)	
Less: Firefighters' Incentive - Revenues	$ (8,787)	
Less: Fire Inspection Fees	$ (30,000)	
Adjusted Net Revenue Requirement for Assessment	$ 9,607,484	

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Availability Methodology Calculation

AVAILABILITY - ALLOCATION SUMMARY			
Assessment Tier	**Allocation**	**Assessment Allocation**	**Allocated Units**
Tier 1 - Per Parcel	34.5%	$ 3,314,582	16,094
Tier 2 - Structure Value	65.5%	$ 6,292,902	627,840
Total	**100.00%**	**$ 9,607,484**	**643,934**

AVAILABILITY - ASSESSMENT RESULTS			
Property Category	**Assessment per Unit**	**Unit Type**	**Billed Revenue**
Tier 1 - Per Parcel	**$ 205.95**	*Parcel*	$ 3,292,523
Tier 2 - Structure Value	**$ 10.02**	*Structure Value*	$ 6,059,775
Total			**$ 9,352,298**

Availability Methodology Assessment Example	
Total Structure Value on Property	$175,000
Tier 2 Units (Value/5,000):	35
Tier 1 Charge:	$ 205.95
Tier 2 Charge (Tier 2 Units x Tier 2 Rate):	$ 350.70
Total Annual Assessment:	$ 556.65

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Availability Methodology Calculation

Rate and Net Revenue Calculation @ 25% Cost Recovery Increments								
		100%		75%		50%		25%
Allocated Costs	$	9,607,484	$	7,205,613	$	4,803,742	$	2,401,871
Less: Shortfall for Exemptions	$	(256,000)	$	(192,000)	$	(128,000)	$	(64,000)
Net Billed Revenues	**$**	**9,351,500**	**$**	**7,013,600**	**$**	**4,675,700**	**$**	**2,337,900**
Less - Allowance for Early Payment	$	(374,060)	$	(280,544)	$	(187,028)	$	(93,516)
Less - County Property Appraiser	$	(187,030)	$	(140,272)	$	(93,514)	$	(46,758)
Less - Tax Collector	$	(187,030)	$	(140,272)	$	(93,514)	$	(46,758)
Less: Assessment Notice Mailing Costs	$	(11,000)	$	(11,000)	$	(11,000)	$	(11,000)
Estimated Net Collected Revenues	**$**	**8,592,000**	**$**	**6,442,000**	**$**	**4,291,000**	**$**	**2,140,000**
Tier 1 Rate per Parcel	$	205.95	$	154.46	$	102.98	$	51.49
Tier 2 Rate per Parcel	$	10.02	$	7.52	$	5.01	$	2.51
Example with $175,000 of Structure Value:	**$**	**556.65**	**$**	**417.66**	**$**	**278.33**	**$**	**139.34**

Methodology Option 2

Calls-For-Service Methodology

Calls-for-Service Methodology

- **Based upon the benefit conferred on all parcels by the historical demand for Fire services by Property Class**
  - **Only calls to real property**
  - **Excludes Emergency Medical Service calls**
- **Property Classes are identified by call volume and property database**
  - **Residential Class – 52.1 % of calls**
    - **Assessed per Dwelling Unit**
    - **Includes all Single Family, Multi Family, Mobile Homes and Mobile Home Parks**
  - **Commercial Class – 24.7 % of calls**
    - **Assessed per Square Footage of structures**
  - **Government/Institutional Class – 23.2% of calls**
    - **Assessed per Square Footage of structures**
- **Key observations:**
  - **Call volume does not support separate classes for Industrial/Warehouse or Vacant property**
  - **High call volume to Institutional properties primarily due to Nursing Home facilities**

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Calls-for-Service Methodology Calculation

CALLS FOR SERVICE - ALLOCATION SUMMARY			
Property Category	**Allocation**	**Assessment Allocation**	**Allocated Units**
Residential	52.1%	$ 5,005,310	17,217
Commercial	24.7%	$ 2,372,438	5,457,688
Government/Institutional	23.2%	$ 2,229,735	2,032,415
Total	**100%**	**$ 9,607,484**	**7,511,111**

CALLS FOR SERVICE - ASSESSMENT RESULTS			
Property Category	**Assessment per Unit**	**Unit Type**	**Billed Revenue**
Residential	**$290.72**	*Dwelling Unit*	$ 4,987,592
Commercial	**$0.43**	*Bldg Sq Ft*	$ 2,266,670
Government/Institutional	**$1.10**	*Bldg Sq Ft*	$ 1,687,813
Total			**$ 8,942,075**

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Calls-for-Service Methodology Calculation

Rate and Net Revenue Calculation @ 25% Cost Recovery Increments				
	100%	**75%**	**50%**	**25%**
Allocated Costs	$ 9,607,484	$ 7,205,613	$ 4,803,742	$ 2,401,871
Less: Shortfall for Exemptions	$ (665,000)	$ (499,000)	$ (333,000)	$ (166,000)
Net Billed Revenues	**$ 8,942,500**	**$ 6,706,600**	**$ 4,470,700**	**$ 2,235,900**
Less - Allowance for Early Payment	$ (357,700)	$ (268,264)	$ (178,828)	$ (89,436)
Less - County Property Appraiser	$ (178,850)	$ (134,132)	$ (89,414)	$ (44,718)
Less - Tax Collector	$ (178,850)	$ (134,132)	$ (89,414)	$ (44,718)
Less: Assessment Notice Mailing Costs	$ (11,000)	$ (11,000)	$ (11,000)	$ (11,000)
Estimated Net Collected Revenues	**$ 8,216,000**	**$ 6,159,000**	**$ 4,102,000**	**$ 2,046,000**
Residential Rate per Dwelling Unit	$ 290.72	$ 218.04	$ 145.36	$ 72.68
Commercial rate per Square Foot	$ 0.43	$ 0.33	$ 0.22	$ 0.11
Government/Institutional rate per Square Foot	$ 1.10	$ 0.82	$ 0.55	$ 0.27

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Methodology Comparison

Availability Methodology Key Issues

- Higher rates for Residential properties vs. Calls-for-Service method
  - Revenue generated by Residential properties is more closely in line with Tax base
- All fees are scaled by structure value
  - Residential rates are fixed by dwelling unit in Calls-for-Service method
- Lower rates for all non-residential properties
  - Significantly lower rates for Institutional properties (Nursing Homes, Churches, etc.)
- Mobile Home Parks would receive significantly lower bill vs. Calls-for-Service methodology
- Less lost revenue from Exempted properties
- Vacant properties are charged the Tier 1 rate
- Easier to maintain administratively vs Calls-for-Service method

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Calls-for-Service Methodology Key Issues

- Lower Rates for Residential Properties
  - All residential properties pay the same rate per dwelling unit
- Mobile Home Parks are charged the Residential dwelling unit fee per Mobile Home space
  - Results in very high fees for 3 parks within City limits
- Due to call volume, high rates for Non-Residential Properties
  - Institutional properties most affected due to Nursing Home call volume
- High Govt/Institutional rate creates larger exempted revenues than Availability method
- No Fee for vacant lots
  - Call volume does not support vacant class
- More administratively burdensome to maintain vs. Availability method
- Must be updated every 3-4 years as call volume shifts
  - Updates may cause swings in rates between classes

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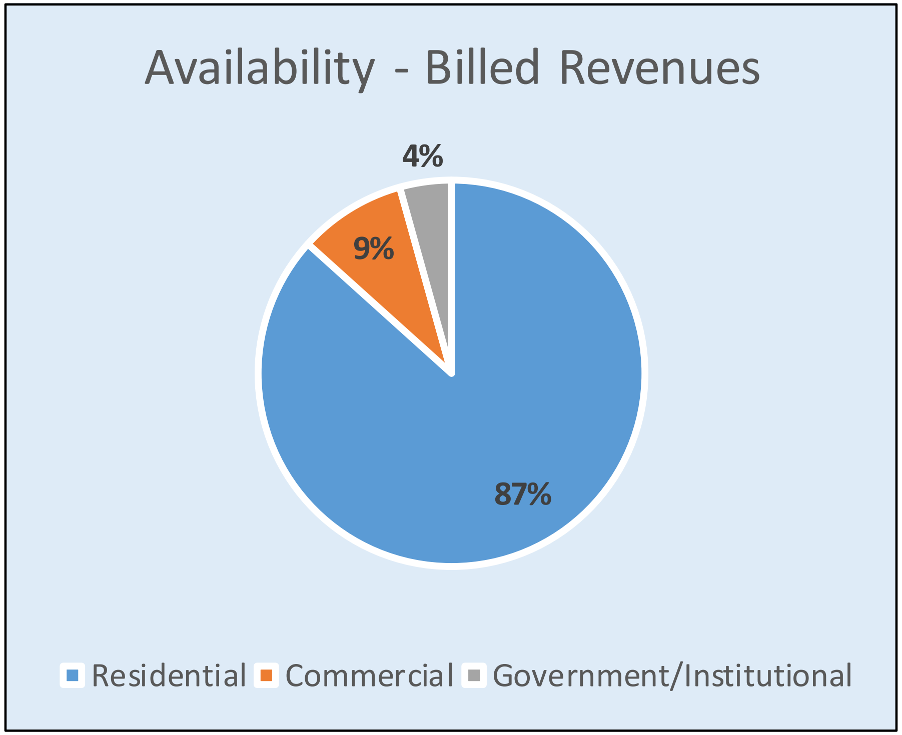
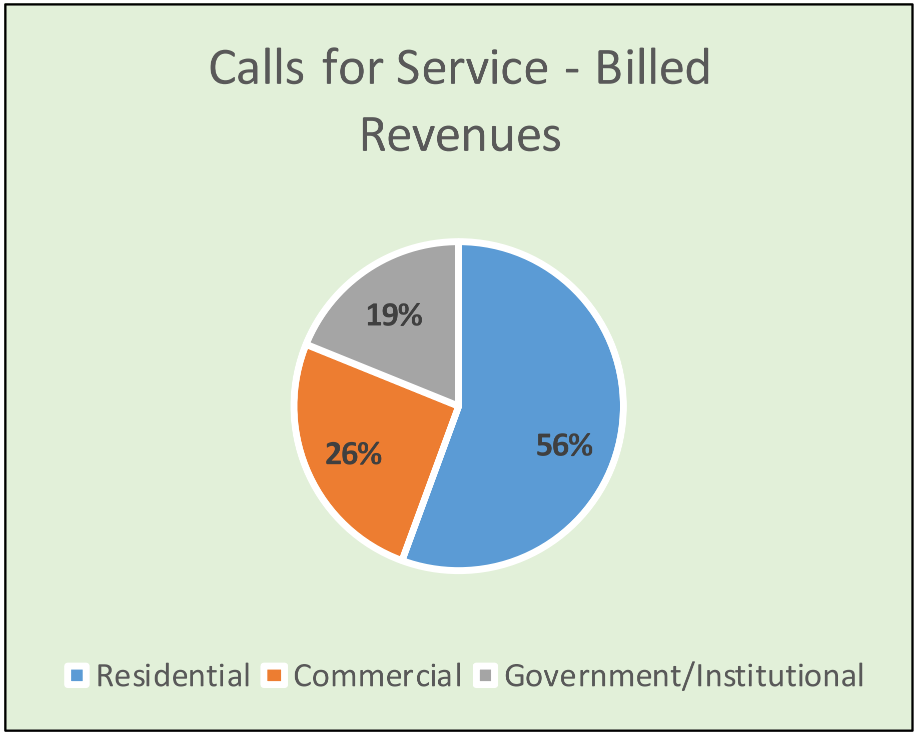
Billed Revenue Comparison

			Availability	Calls for Service
Property Class	**Count %**	**Taxable Value %**	**Billed $%**	**Billed %**
Residential	94%	81%	87%	56%
Commercial	5%	14%	9%	26%
Government/Institutional	1%	5%	4%	19%
	100%	**100%**	**100%**	**100%**





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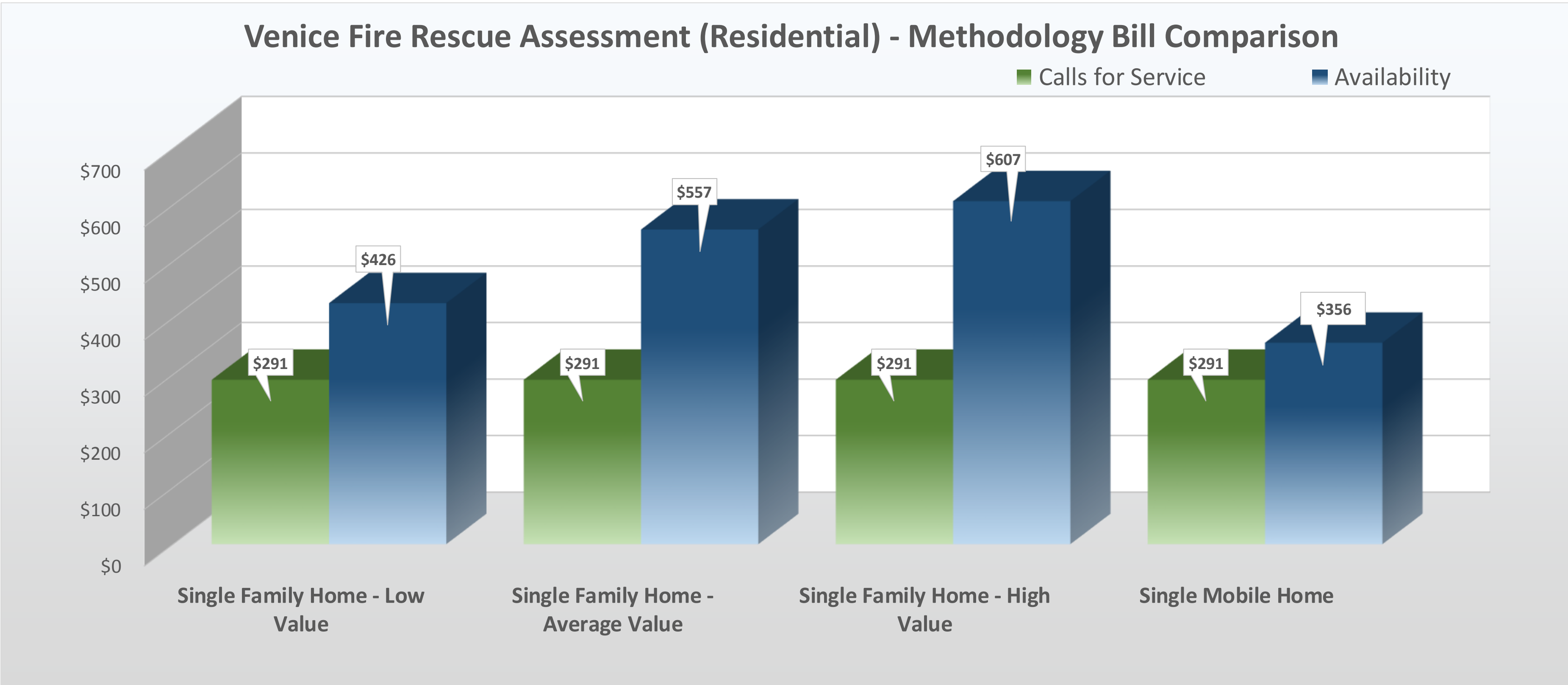
Single Family Residential Comparison



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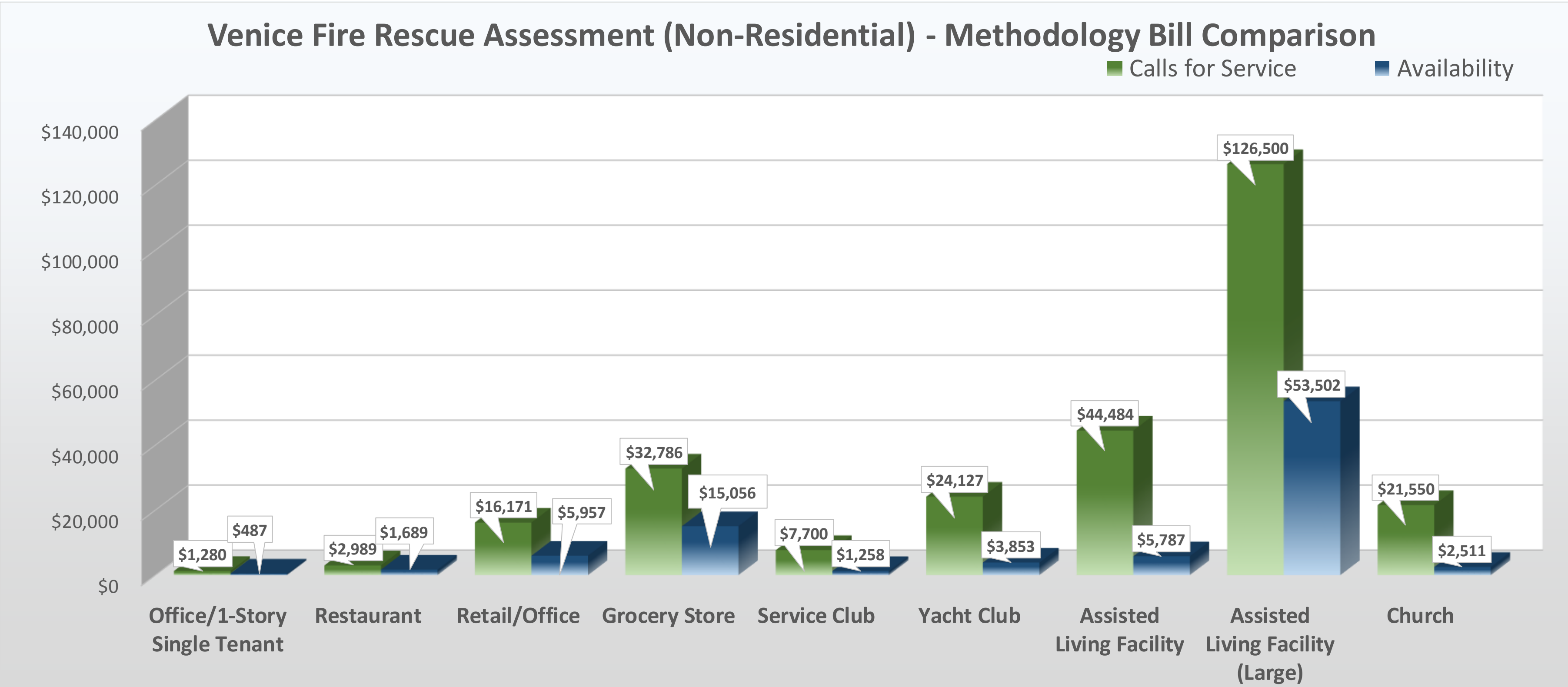
Non-Residential Comparison



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Next Steps

Assessment Process – Next Steps

- Adopt Non-Binding Resolution of Intent - Complete
  - Notifies the Property Appraiser and Tax Collector of the intent to use Uniform Method/Tax Bill for assessment collection
- If the City wishes to proceed with the program:
  - <u>Identify the preferred methodology at March 17th Workshop</u>
- Additional Workshop in April:
  - Finalize Cost requirements
  - Identify preferred cost recovery approach
  - Draft Report with preferred methodology submitted for City review
- Public Outreach
- Set Dates for:
  - Adoption of Initial Assessment Resolution
  - First Class Mailing of Notice to Property Owners
    - 20 days before Final Assessment Resolution Hearing
  - Adoption of Final Assessment Resolution

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Assessment Process – Next Steps

- Key Dates
  - June 1st – Receive updated parcel data from Property Appraiser
    - Creates preliminary Assessment Roll
    - Stantec to finalize Assessment Study Report with June 1st Property Appraiser's Roll
  - July 10th – Deadline to deliver preliminary roll to Property Appraiser to include assessment on TRIM notice
    - Maximum rate must be identified if TRIM notice is to be utilized
  - September 15th – Deadline to submit final assessment roll to Tax Collector

Discussion