

**Date:** March 13, 2008

**To:** Honorable Chairman Bruno A. Barreiro  
and Members, Board of County Commissioners

**From:**   
George M. Burgess,  
County Manager

**Subject:** Miami-Dade County Fire Rescue Department Current Financial Conditions, Future Fiscal Challenges, and Impact of Municipalities Opting Out of the Fire District

HPSC  
Agenda Item No:  
7(C)

## Background

There has been much discussion over the past few months regarding the future of the Miami-Dade Fire Rescue Department. Due to the fiscal challenges created by recent property tax initiatives, the approval by voters of the constitutional amendment for property tax, and the potential of high property value municipalities opting out of the Fire District, we have been analyzing the revenue structure of the district, the department's capital program, and actions that may be taken in response to changes in district boundaries. This report gives a brief summary of the creation of the Miami-Dade County Fire Rescue Department (MDFR); outlines the funding mechanisms, current financial conditions, and future fiscal challenges of the District; and provides relevant information concerning municipalities that have expressed a desire to opt out of the District and seek fire and rescue services from other fire departments on a contract basis.

## Creation of the Miami-Dade County Fire Rescue Department

Miami-Dade Fire Rescue (MDFR) originated as a single-unit fire patrol in 1935 and has grown into the largest fire-rescue department in the Southeast and among the top ten largest in the nation. With a response territory of 1,883 square miles and a resident population of more than 1.7 million, MDFR responds to more than 229,000 calls for assistance annually, making it one of the busiest departments in the nation. More than 2,550 employees staff 129 front-line units throughout 64 fire rescue stations and several administrative facilities provide services to residents, businesses and visitors 24 hours a day, 7 days a week, 365 days a year. In addition to providing transport services through 50 front-line rescue units, MDFR has more specialized response units than any other fire-rescue department in the southeastern United States. The department provides air-rescue transport via two full-time helicopters and airport rescue firefighting, and has dedicated units for marine services (shipboard firefighting and dive rescue), motorcycle emergency response, ocean rescue, technical rescue (vehicle extrication and confined-space rescue), hazardous materials mitigation, and urban search and rescue. The department also maintains the Florida Antivenin Bank and provides inspections and code enforcement services.

Beginning in 1968 with the cities of Virginia Gardens and Florida City, municipal fire departments began merging into the County department. Between 1968 and 1978, 15 city fire departments merged into the County department and only Hialeah, Coral Gables, Miami Beach, and the City of Miami continued to provide fire and rescue services on a municipal level.

After the mergers, Miami-Dade County was confronted with the issue of providing fire and rescue services from countywide general fund tax dollars while some cities continued to provide services from their own funds. The solution was creation of the Fire Rescue District that was approved by the voters in 1980 and subsequently established by the Board of County Commissioners, under their authority according to Section 1.01(11) of the Home Rule Charter, via Ordinance 80-86.

One new municipal fire department has been developed in Miami-Dade County since creation of the District. The Village of Key Biscayne formed its own department after incorporation and contracts with the City of Miami for automatic aid. MDFR continues to provide service on the island from Station 15 for the unincorporated parts of the Key and Crandon Park.

### **Miami-Dade Fire Rescue District Budget**

The District depends primarily on fire rescue district property taxes. Property taxes are a dependable and predictable revenue source, are easily collected, can be considered somewhat progressive with the wealthy typically paying more. Property taxes are generated by collecting a uniform tax rate (2.2067 dollars per \$1000 in the District for FY 2007-08) on the value of each property from the owner. Individual property owners pay property taxes to the County based upon taxable value.

Of the \$384 million fire district budget, almost 88 percent, or \$312 million comes from fire rescue district property taxes. Other revenues include transport fees, fire plans processing and inspection fees, interdepartmental transfers, interest, and carryover. This year's budget reflects a decrease of \$7 million in property tax revenue when compared to the FY 2006-07 district budget. In addition, because of the approved constitutional amendment, district property taxes will be reduced by approximately \$7 million.

While we are developing solutions for the potential future property tax revenue reductions that may impact the District, prudent financial planning has allowed the department, through a combination of operational savings and increased revenue from fees for services, to maintain all current operational units through this fiscal year. In addition, barring any unforeseen additional actions by the state exceeding the potential property tax reduction initiatives that were approved on January 29th, MDFR should be able to maintain all operational units through FY 2008-09.

### **Alternative Revenue Sources**

In the years following, it will be necessary to develop other revenue sources to support operations. To bolster reduced fire rescue budgets, other fire departments have developed and implemented alternative and additional revenue sources to support existing operations and fund new services. The most prevalent sources of new revenue are non ad valorem fire assessments, motor vehicle accident response fees, and air rescue helicopter transport and landing zone set up fees. In addition, departments are contemplating increases to the existing emergency medical services (EMS) ground transport fee schedule.

#### *Fire Assessment Fees*

Fire assessment fees provide a cost effective and financially stable means of funding future fire services in many communities. Non ad valorem fire assessment fees have become commonplace throughout Florida and are rapidly gaining acceptance throughout the United States as a way to ensure top quality fire services.

Fire assessment fees have been in the news recently as court decisions (as in the City of Miami) have been rendered related to the legality of collecting these fees. In general, courts have ruled that non ad valorem fire assessment fees are legal mechanisms for providing funding for fire suppression services since those fees are used to provide a special benefit to property owners. The courts have also held that such fees are not a legal mechanism for providing emergency medical services, since such services are provided to all people in a district (including tourists and other non-residents simply traveling through a service area to home, work or school), and therefore, there is no special benefit to property owners. A survey of fire assessment fees in other jurisdictions found in Attachment I provides more details.

#### *Motor Vehicle Accident (MVA) Response Fee*

Response to motor vehicle accidents represents a significant utilization of MDFR district resources. In 2006, MDFR responded to 14,642 accidents involving automobiles or motorcycles (9% of total EMS calls). Fire departments in other jurisdictions have implemented charges to recover some of the cost associated with these specialized calls.

A third party billing agent is typically used to determine the driver at fault and bill and collect on behalf of a fire department. Unless otherwise requested, the billing agent will only invoice the at-fault parties' insurance company for all costs associated with the accident. The industry standard rate for MVA revenue recovery is 20 to 25 percent of the revenue collected. The amount of the MVA fees can be narrowly tailored by the level of response—equipment and personnel needed—and can be applied as a flat or hourly rate. Attachment II contains information regarding other fire departments who charge for MVA response.

#### *EMS Ground Transport Fees*

Emergency medical services calls comprise approximately 90% of all calls to MDFR. Accordingly, Miami-Dade County has a great interest in ensuring that the department is charging, and collecting adequate fees for emergency medical ground transportation services.

MDFR transported approximately 61,000 people in 2006. Medicaid and Medicare were billed for 31,110 (51%) of these calls. Private insurance carriers were charged for 15,860 (26%) of the calls and self-pay were billed for 14,030 (23%). Within the self-pay category, approximately 1,000 submitted a payment. Revenues from EMS ground transports totaled \$15.5 million in FY 2005-06 and are projected to be approximately \$17 million in FY 2006-07.

This research was conducted in April 2007, and information contained in this report is accurate to that date. MDFR surveyed 17 other jurisdictions in the state of Florida and 11 fire departments throughout the United States to provide a comprehensive analysis (Attachment III).

#### *Air Rescue Fee*

MDFR does not currently charge for Air Rescue transport, although most will be billed for the ground transport in a rescue unit required to get a patient to the landing zone. Since the expenses related to Air Rescue services are provided for from the countywide general fund, any revenue generated would be used to reduce the cost to the countywide general fund. The estimated revenue to be generated is approximately \$4 to \$6 million, depending upon the fee charged and the collection rate. There would also be potential labor cost increases if the department falls under Part 135 of the FAA regulations and we are forced to adjust pilot work schedules.

Fire departments throughout the United States have successfully administered many of the fees examined in this report to increase their revenues. Implementation of any combination of these fees or increases to the existing fee structure would reduce the fire district dependence on ad valorem taxes, shield the fire district from future legislative action affecting property tax revenue, and protect the level and quality of fire rescue service MDFR provides.

The most promising avenues for generating additional revenue appear to be from implementation of fire assessment fees, increase to existing EMS ground transport fees or fire prevention fees, and implementation of an Air Rescue transport fee. The implementation of an alternative revenue source to property taxes is necessary for the ongoing operation of MDFR. Service expansions for which capital funding is available or will be should the capital plan discussed next in this report be approved by the Board, will not be able to operate if these revenue sources are not available.

#### **Capital Funds Requirements**

The MDFR capital budget provides funds for projects from three primary sources: the District operating budget, proceeds from Sunshine loans or other debt instruments, and impact fees from new development. Due to the increased costs of construction, declining impact fees revenue, and a reduction in property tax revenue, the strategy for funding fire department capital projects must be altered. It is recommended that a capital plan supported by debt issuance be approved by the Board. This plan would allow for currently planned stations and facilities critical to address service needs to be constructed.

In the current year, less than two percent of the fire district operating budget (approximately \$6.4 million per year of a \$384 million operating budget) is budgeted for debt service on borrowing related to capital projects.

Authorizing the department to borrow up to an additional \$50 million will increase the annual debt payment by \$3.2 million to a total of \$9.8 million, which is still lower than 3% of the annual operating budget of the District, and will allow the department to fund the construction of six new fire stations, expansion of two stations, re-construction of one station, and to build a new fleet maintenance facility.

Five of the proposed fire station capital projects to be funded from additional borrowing will have minimal impact on the District operating budget since the rescue or suppression units are already in service at nearby stations. The North Bay Village project is a rebuild of the existing Station 27 as part of a municipal public safety complex and will have no operating impact. The Highland Oaks Phase II project will expand the existing Station 63 to house Rescue 63 that is currently deployed at Station 22. The project will include space for a North Division Office (to be moved from a Park and Recreation Department building in Greynolds Park) and Fire Prevention (to be moved from leased space costing \$90,000 per year). Construction of the Coconut Palm Station 70 and Palmetto Bay Station 62 will allow Rescue 70 (now deployed at Station 34) and Engine 62 (now deployed at Station 50) to move into permanent locations within their service territory. Expansion of West Miami Station 40 to construct crew quarters will allow Engine 40 to remain in West Miami instead of relocating to South Miami Station 14 during evening hours. The Highland Oaks location is a 5 acre parcel obtained from FDOT, and Coconut Palm will be located on land donated by a developer. The Palmetto Bay site is in the late stage of property acquisition.

Three future fire stations for which land has already been acquired or will become available for a nominal fee are also recommended to be funded. These stations include Dolphin Station 68 and Arcola Station 67 on land currently owned by MDRF and North Miami Station 18 on land to be leased from the North Miami Community Redevelopment Agency for \$1 per year. The City of Bay Harbor has inquired about establishing a fire rescue facility as part of their new municipal project. MDRF proposes deploying a future rescue in the city and will require at least \$1 million for its share of build-out cost. MDRF must be ready to construct and operate these important public safety facilities when the operating budget outlook becomes more favorable, and procurement of design services should be commenced even if construction might be delayed.

MDRF currently maintains all heavy fleet and utilizes GSA to maintain light and medium duty vehicles. The current facility used to maintain heavy fleet is entirely inadequate to maintain the heavy fleet. The existing Shop 2 has only seven bays, which forces the mechanics to work on many units outside in the parking area. This can delay some work which cannot be performed due to inclement weather outside or which requires a lift. MDRF has proposed construction of a new fleet facility on existing county land next to the fire department logistics building. This new facility would be a partnership between GSA and MDRF, and is part of the master plan for the Kendall complex to utilize existing county land instead of purchasing additional land. MDRF will utilize the funds that would have been required to purchase additional land to replace GSA structures and will turn over shop 2 to GSA upon occupancy of the new facility. The new shop would provide space for all of MDRF vehicle maintenance functions.

As mentioned previously, five of the proposed fire station capital projects to be funded from additional borrowing will have minimal impact on the District operating budget since the rescue or suppression units are already in service at nearby stations. It is critical to response time and suppression capability that the rescue and engine units currently located in nearby stations be housed within their dedicated response territory. The deployment of these assets within their assigned territory will significantly improve response times for those communities and is instrumental for MDRF to meet the public safety needs in areas that are currently underserved.

There are four new stations that MDRF will build to accommodate programmed new services. These stations, Arcola, North Miami, Dolphin, and Bay Harbor, will be built on land currently owned by MDRF or being offered by a cooperative municipality at a nominal cost. MDRF will begin the design process for these facilities, but will not commence construction until development of a viable solution to the potential future

operating revenue shortfall. A recommendation regarding a revised capital plan for the Fire District will be presented to the Board as part of the FY 2008-09 Proposed Budget.

### **Municipalities Opting Out of the District**

On July 24, 2007, the Board passed Ordinance 07-107, deleting the opt out provisions of the laws governing the establishment of the Miami-Dade Fire Rescue District. Prior to this code revision of the ordinance, municipalities wanting to opt out of the Fire District were required to obtain voter approval from the electorate of that city and give the County at least six months notice prior to the beginning of the next succeeding fiscal year. This provision had the effect of requiring any city opting out under the previous ordinance to obtain voter approval and also required the city to inform the County prior to April 1 for the effective date to be October 1, at the beginning of a new fiscal year.

#### *Surfside*

The first municipality to express a desire to opt out of the District was the Town of Surfside. MDRF first became aware of this during a meeting with Mayor Charles W. Burkett of Surfside in 2007. Subsequent to that meeting, MDRF Executive Staff met with the former Town Manager to understand the town's concerns and to identify potential solutions. MDRF had been discussing options for the establishment of a new fire station at various locations within the town, or as part of a joint use municipal project for quite some time, and met with private land owners willing to sell. Ultimately, the Town Manager expressed that perhaps a fire station within the town was not desirable, since it would be continually disturbing Surfside residents while going on fire and rescue calls outside the town. The Town of Surfside passed a resolution to call a special election on this issue.

The Town of Surfside has a residential population of approximately 5,600 within a two square mile boundary. The District has budgeted \$3.3 million in property taxes from the residential and business owners of Surfside in FY 2008, or approximately 1.05 percent of the total ad valorem revenue for the District. The Town of Surfside is provided services primarily from Station 21 and Station 10. These two stations each have a suppression and rescue unit, with an annual service cost of more than \$8 million.

The Town of Surfside anticipated contracting with the City of Miami Beach for fire and rescue services. We have not seen a formal proposal and are unaware of any recent discussions.

#### *Indian Creek*

On February 15, 2008, the voters of the Village of Indian Creek voted to opt out of the District through a special election. The ballot contained the following language, "Shall Indian Creek Village opt out of the Miami-Dade Fire Rescue District and contract with the City of Miami Beach for Fire Rescue services?" The Village contains 41 waterfront properties with a taxable value of more than \$367 million and generates approximately \$770,000 in property tax revenue for the District. To date, we have no information on the implementation strategy on the part of either Indian Creek or Miami Beach. Pursuant to your direction, we will also continue to work with the County Attorney's Office to pursue appropriate legal action.

#### *Pinecrest*

On December 12, 2007, the Village of Pinecrest held a meeting to discuss the issue of conducting a special election to opt out of the District. The City of Coral Gables Fire Department and MDRF made detailed presentations to the Village Council concerning the services provided by each department. It was stated by Coral Gables that MDRF would be available, through existing mutual aid, to provide back-up when Coral Gables units were unavailable or if a major incident were to occur. Our Fire Chief cautioned the Village Council that MDRF might be unable to maintain the assets to provide mutual aid to contracted entities. The Pinecrest Village Council passed a formal resolution, by a vote of 3-2, to schedule a special election in March 2008, asking the voters of Pinecrest if the Village should opt out of the District.

The leaders of the Village of Pinecrest who voted for the opt out election have stated that they have no complaints about the services provided by MDR, nor do they believe their constituents are dissatisfied with the County services. The Village Council's primary motivation appears to be to provide savings to their residents. The Village receives its service, primarily from four MDR stations: Station 49 within the Village, Station 23 at US1 at SW 104 Street across the street from the Village, and two more on US1 within approximately one mile of the Village boundaries. These four stations are staffed with three suppression units, four rescue units and a Battalion officer on duty 24 hours each day, seven days per week, with a total annual cost of more than \$14 million. The Fire District has budgeted \$8.264 million from the property taxes paid by residents and business owners in Pinecrest for FY 2008.

On February 12, 2008, the City of Coral Gables Commission voted not to accept the ballot language proposed by the Village of Pinecrest, "Shall the Village of Pinecrest opt-out of the Miami-Dade Fire Rescue District and contract with the City of Coral Gables for fire rescue services?" In light of this decision, a special meeting of the Village Council of Pinecrest was scheduled for Wednesday February 20, 2008 to discuss Village fire rescue options. At that meeting, the Council directed the Village Manager to come back in March with the cost of hiring a consultant to study the feasibility of the Village creating its own fire department and decided to not schedule an election at this time. They also instructed their attorney to continue to pursue legal action.

#### *Other Municipalities*

With regards to other municipalities opting out of the Fire Rescue District, Sunny Isles Mayor Norman Edelcup advised that contrary to my December 13, 2007 memorandum regarding municipal opt out of Miami-Dade Fire Rescue District, the City of Sunny Isles Beach is not seeking fire rescue service from Miami Beach, nor has the city been offered service from the city of Miami Beach. The City of Sunny Isles is very satisfied with the services provided by Miami-Dade County Fire Rescue Department, and will continue to utilize the fire rescue services provided by the County.

#### **Additional Policy Considerations**

Miami-Dade County provides a variety of services to municipalities and their residents. The services provided by MDR save lives and protect our homes, schools, and places of business. Ensuring public safety is one of the foremost responsibilities of any government and we must maintain our fire and rescue response capabilities for all of our residents.

While I believe that litigation against the County by municipalities seeking to opt out of the District will ultimately be unsuccessful, the Board of County Commissioners may wish to consider various policy options to dissuade cities from withdrawal. In addition, the County may inform those cities that are willing to provide fire services on a contractual basis that there may be more wide-spread consequences to consider. Any adjustments to revenues and services in one municipality can have spillover effects into other areas.

One final point about mutual aid for Pinecrest. Mutual aid cannot be provided on a per call basis. The true cost of mutual aid is the annual operating and capital expense associated with maintaining all of the suppression and rescue capability available for deployment in any emergency. The resources available around the Village of Pinecrest are substantial and represent a significant allocation of public safety dollars by the District. The current mutual aid agreements do not include providing services to municipalities that contract with other fire rescue departments, and I would strongly advise against entering into any such arrangements.

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A less confrontational and more reasonable approach to this issue may be simply educating and informing residents about the advantages and benefits of regional fire services and cooperation among the existing departments. Completion of the MDFR Training Complex will allow more opportunities for joint exercises that will improve the proficiency of all fire rescue personnel. Future possibilities include common platforms and specifications for radio communications, suppression and rescue apparatus and protective gear. These cooperative efforts could lead to purchasing efficiencies, savings for our residents, and a more effective fire service.

Staff from the MDFR will be attending the various public meetings to be held in the community on the opt out issue and making presentations to residents about the services provided by MDFR. The information provided will educate and inform residents about the services provided to them by MDFR and the benefits of regional fire service. I am hopeful these efforts will be successful and our residents will choose to remain part of the Miami-Dade Fire Rescue District.

  
Assistant County Manager