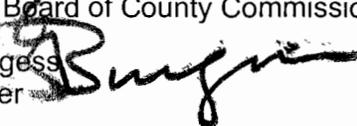


# Memorandum



**Date:** December 16, 2008

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

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

**Subject:** Miami-Dade Fire Rescue District Fire Suppression Assessment Option

Agenda Item No. 12(B)1

The most critical services provided by all local governments are those that protect the life and public safety of the residents of a community. As the Board of County Commissioners (Board) is aware, providing adequate funding for local government services is becoming increasingly challenging due to state defined revenue limitations, voter approved increases to homestead and other tax exemptions, and reduced collections of sales, gas, and other taxes in the current economic environment.

As outlined in my detailed report to the Health and Public Safety Committee in July 2008, titled "Miami-Dade County Fire Rescue Department Current Financial Conditions, Future Fiscal Challenges, and Impact of Municipalities Opting Out of the Fire District," annual operating funding for the Miami-Dade Fire Rescue District (MDFR) is provided almost solely from ad-valorem property taxes (more than 85% during the last five fiscal years), with the remainder coming from transport fees, fire plans processing and inspection fees, and miscellaneous sources. Unlike other fire departments in the county, MDFR cannot utilize traditional municipal revenue sources such as franchise fees, utility or sales taxes, or state municipal revenue sharing, since these revenues are received directly by the thirty cities in the Fire Rescue District and allocated to the unincorporated municipal service area (UMSA) budget for UMSA residents.

The Office of Strategic Business Management (OSBM) and MDFR have been updating the Five Year Financial Model for the Fire Rescue District to assess ad valorem revenue requirements needed to keep up with normal expected departmental expenditure growth and the deployment of four planned additional stations. Although the exact rate of change for tax rolls during the next five years is very difficult to predict, we have run different millage scenarios considering a very conservative forecast for tax roll growth: flat tax roll growth for the next two years and then three percent growth for the remaining three years. Based on the result of this analysis, it is clear that the Board could use the flexibility vested in them by state law as it pertains to the levying of millage rates different than the state defined maximum millage. The Board has the ability to provide the Fire Rescue District with enough resources to maintain the current number of units and to allow some measurable growth in services at the same time, all within the limitations of the three mill cap currently imposed in the Fire Rescue District jurisdiction.

Reliance on property tax revenue for local government services is a fundamental tax policy decision that all local governments must make. Historically, ad valorem property tax revenue has been seen to be somewhat progressive, with more expensive properties making a greater contribution based on higher value and the assumed ability of the owners to afford the associated property taxes. However, due to the 1994 Save Our Homes amendment to the Florida Constitution and the dramatic change in the real estate market since then, ad valorem taxes are often seen as inequitable and unduly burdensome on new homeowners and people who relocate. Substantial increases in the fire rescue district millage rate may add to this perceived inequity,

and may possibly provoke flawed economic arguments from wealthier communities that they should leave the district, levy a lower fire millage rate for their own residents, and contract with a nearby city.

It is my recommendation that the County begin discussing the merits and the process of evaluating a non ad-valorem uniform special assessment method for providing fire suppression services in the fire district. As stated in my previous report, fire assessment fees provide a cost effective and financially stable option of funding future fire services in many communities. Non ad valorem fire assessment fees have become commonplace throughout Florida with 16 counties and 27 municipalities in Broward County alone having implemented fire assessment fees. This option is rapidly gaining acceptance in Florida and 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 (such as in the City of Miami) have been rendered related to the legality of collecting these fees. In virtually every instance, 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 measurable 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 measurable special benefit to property owners. MDFR is ready to commence the process for developing a fire assessment methodology that can be presented to the Board as an option for consideration in 2009 and potentially implemented in the 2009-10 fiscal year. In order to do so, certain critical actions must be taken in the coming months.

#### Fire Assessment Statutory Deadlines

FL Statute 197.3632 and FL Statute 125.66 mandate that certain deadlines be met for a government to consider levying a fire assessment. Miami-Dade County must adopt a resolution of intent to use the uniform method of tax collection by March 1, 2009 (if the Property Appraiser and Tax Collector grant permission by December 31, 2008 to extend the original January 1, 2009 deadline). An advertisement of the meeting to adopt the resolution of intent must be run in a local newspaper once per week for four consecutive weeks leading up to the hearing. Under this scenario, the County would begin advertising on January 20, 2009 and adopt the resolution of intent on February 17, 2009. The resolution of intent must then be sent to the Property Appraiser and the Tax Collector by March 10, 2009. Next, the County must publicly advertise a notice ten days prior to the Board meeting to adopt an ordinance to authorize the imposition of special assessments. There is no statutory deadline for the ordinance adoption meeting, but it would have to be tentatively scheduled for May or June. Twenty days prior to the public hearing to adopt the final assessment rates, the County must advertise a notice in a local newspaper and mail first class notices stating the public hearing date to all affected property owners. Miami-Dade County would have to pass a final assessment resolution that specifies the final rates prior to September 15, 2009. A certified assessment roll would also be provided to the Tax Collector by September 15, 2009. Should the Board ultimately decide not to implement an assessment rate after the resolution of intent has passed; a subsequent resolution to reauthorize use of the uniform method would have to be passed if the Board sought to implement an assessment fee in future years.

In order to accomplish all of this, the County would have to hire a consultant to complete the development of the non ad valorem assessment methodology for implementation in the fiscal year 2009-10 budget. A request for proposal was issued April 2008. The sole proposer is Government Services Group, Inc. (GSG). GSG has completed consultant services for the majority of Florida Counties who have explored a fire assessment option, including the City of Fort Lauderdale, the City of Hialeah and Orange County to name a few. The estimated value of this contract is \$1 million dollars. Should the County decide to adopt a fire fee assessment ordinance, and chooses not to implement a fire fee in the fiscal year 2009-10, the County may still use the assessment methodology produced by the consultant for future years. An update of the initial engagement conducted in the fiscal year following the base year analysis would cost less than \$90,000. An update of data two years from the base year analysis would cost less than \$140,000. It is important to note, that should the Board wish to defer implementation of the assessment resulting from the base year analysis, the County's initial investment in contracting for these consulting services would continue to be of value for future year analyses.

#### Fire Assessment Methods

There are two common methods to apply a non-ad valorem fire assessment fee: traditional and enhanced. For the purposes of determining the appropriate fire assessment rate for each property class, fire calls are separated from emergency medical calls, and then assigned to each property class. The traditional method measures initial response, and therefore treats all fire calls the same. Residential units are charged one flat rate and other property classes such as commercial or industrial are charged on a per square foot basis. The fire assessment fee is determined by applying the percentage of fire incidents per property class to the assessable budget for fire suppression. The enhanced method differs by determining the actual number of man hours (capacity units) required to extinguish a fire for each building class and assigning the number of total capacity units by property class. A property owner may also obtain credits for up to 40 percent of the capacity units for measures such as building sprinklers and fire resistant building structures.

#### Potential Rates & Revenue

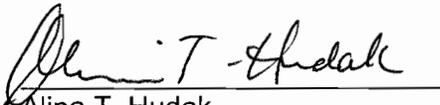
For example, if use of the traditional methodology resulted in a flat fee of \$10.00 per residential unit in the Fire District, the yield would be approximately \$6 million dollars. Use of the enhanced methodology could result in variable rates, with one rate for residential units of a certain square footage and higher rates for larger dwelling units. This tiered rate system could yield additional revenue while attempting to maintain some progressiveness due to the usual relationship between size and value, regardless of purchase date. One mill levied in the fire district produces approximately \$150 million, so a reduction of one tenth of one mill in the fire rate would reduce revenue by \$15 million, and save the average residential taxpayer \$15.00 (based on \$150,000 taxable value). Adoption of a \$10.00 fire assessment would yield a net savings to the residential taxpayer of \$5.00. The owners of higher value homes would save even more, about \$15 for a \$250,000 home, \$40 for a \$500,000 home and \$90 for a \$1 million residential property.

Rates for other property classes such as commercial and industrial will be based on a tiered square footage basis regardless of which methodology is used. Potential revenues will depend upon rates adopted, but each one cent increment per square foot for commercial property yields \$1.6 million and each one cent increment per square foot for industrial property yields \$1.4 million.

Conclusion

The residents of Miami-Dade County are extremely fortunate to be served by the Miami-Dade Fire Rescue Department, as the department is one of the largest and most recognized fire rescue departments in the nation. MDFR provides specialty services, including air rescue, technical rescue, dive rescue, fireboats, and hazardous materials response. In addition, MDFR leads the nation in the development of innovative programs. The MDFR Florida Task Force 1 Urban Search & Rescue Team was recently graded as top in the nation after a comprehensive readiness review by the Federal Emergency Management Agency (FEMA). The Venom Response Bureau has saved dozens of lives in its short existence. In addition, the STEMI Program has revolutionized the provision of emergency cardiac care throughout Miami-Dade County and possibly the nation.

In order to continue to provide the residents of Miami-Dade County with quality services and expertise, it is critical that the department be properly funded. Use of a fire assessment fee is an option to diversify the revenue stream for MDFR and provide a sustainable future funding source. A minimal assessment fee would reduce reliance on property taxes and may be a more equitable means of raising revenue for fire protection services.



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