

Sustainable Fire Department Funding

Union County, North Carolina, Administrative Services

Budget Focus Area #3:

*Discussion of
Sustainable Fire
Department Funding
Models*

Goals for Today

- Review of Funding Models Recommended by Fire Stakeholders Group
- Review Funding Model Analysis and Impact Comparison
- Receive Direction of the Board concerning Preferred Funding Model



Fire Department Funding Concepts

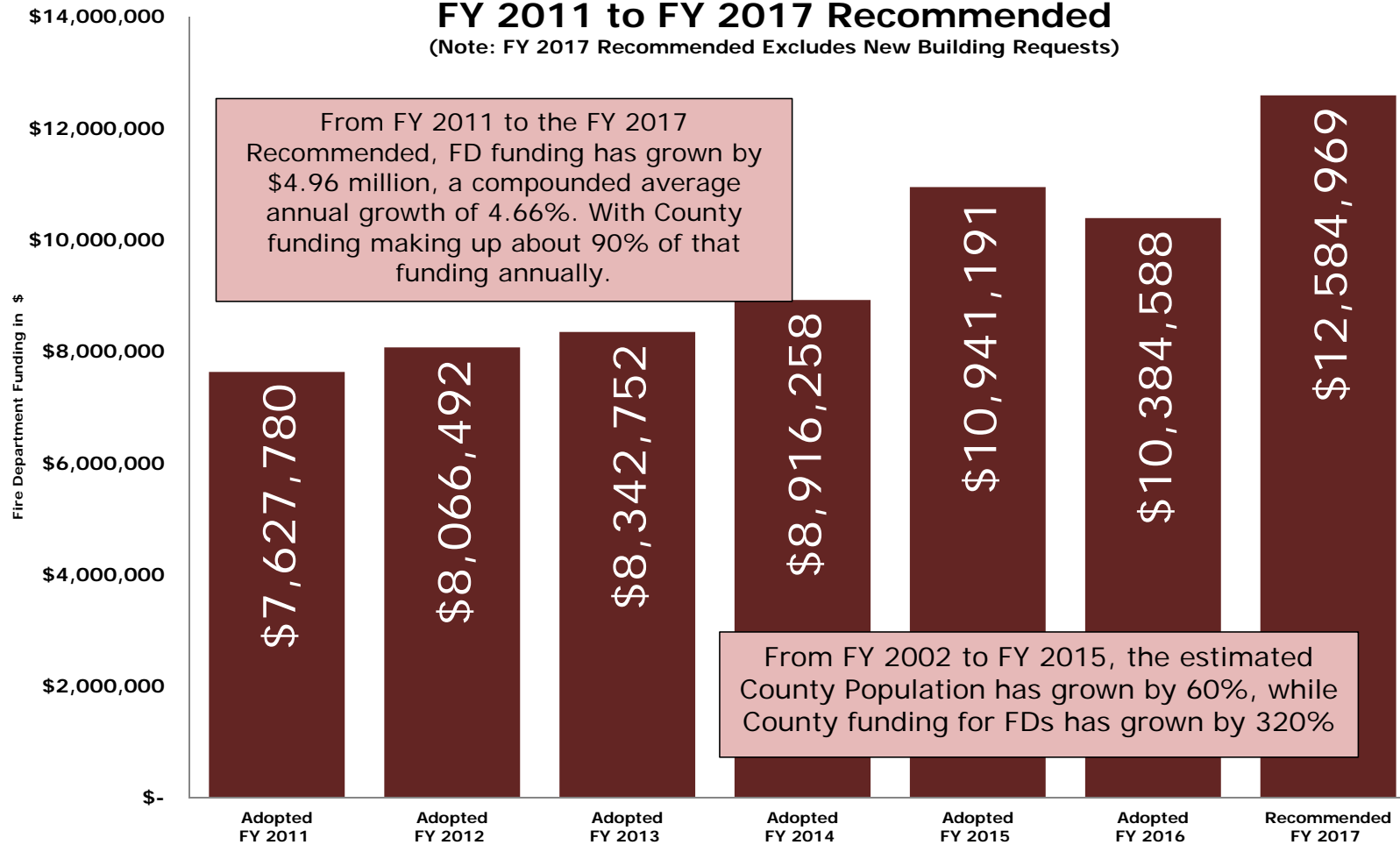
- Fire Departments are funded based on a readiness to serve, versus a traditional fee for service model.
 - Life safety services are typically not user fee based.
- Equitable service regardless of density or ability to pay.
- Fire Protection and Suppression are a part of the total Public Safety Effort in Union County.
 - Fire Department funding provides for a system of fire protection, many individual units make up the system.
- Service Level and Funding Methods are determined by the BOCC.
- Adequate funding levels for staffing, equipment, and facilities.
 - Historical service inequality throughout the county.

Sustainability is the underlying core principle for the entire budget process.



Historical Fire Department Costs in Union County

**Fire Department Funding
FY 2011 to FY 2017 Recommended**
(Note: FY 2017 Recommended Excludes New Building Requests)



Funding Model Options

- Funding Model Options recommended by Community Stakeholders Group in August 2015.
 - Group made up of Fire Chiefs, Municipally Elected Officials, Community Members, Union County Fire Marshal and Commissioners.
- Recommended Four Options to the Board of County Commissioners.
- Model Options are numbered based on Group Ranking.



Option #1 "Subsidy & Tax Districts"

Description

- Funding fire protection by providing up to a \$250,000 subsidy to all the Fire Departments through a countywide fire tax.
- In addition, to fund any need above the \$250,000, the BOCC would put into place up to twelve new fire service tax districts.
- Funding for capital provided through capital reserves or fire department debt.



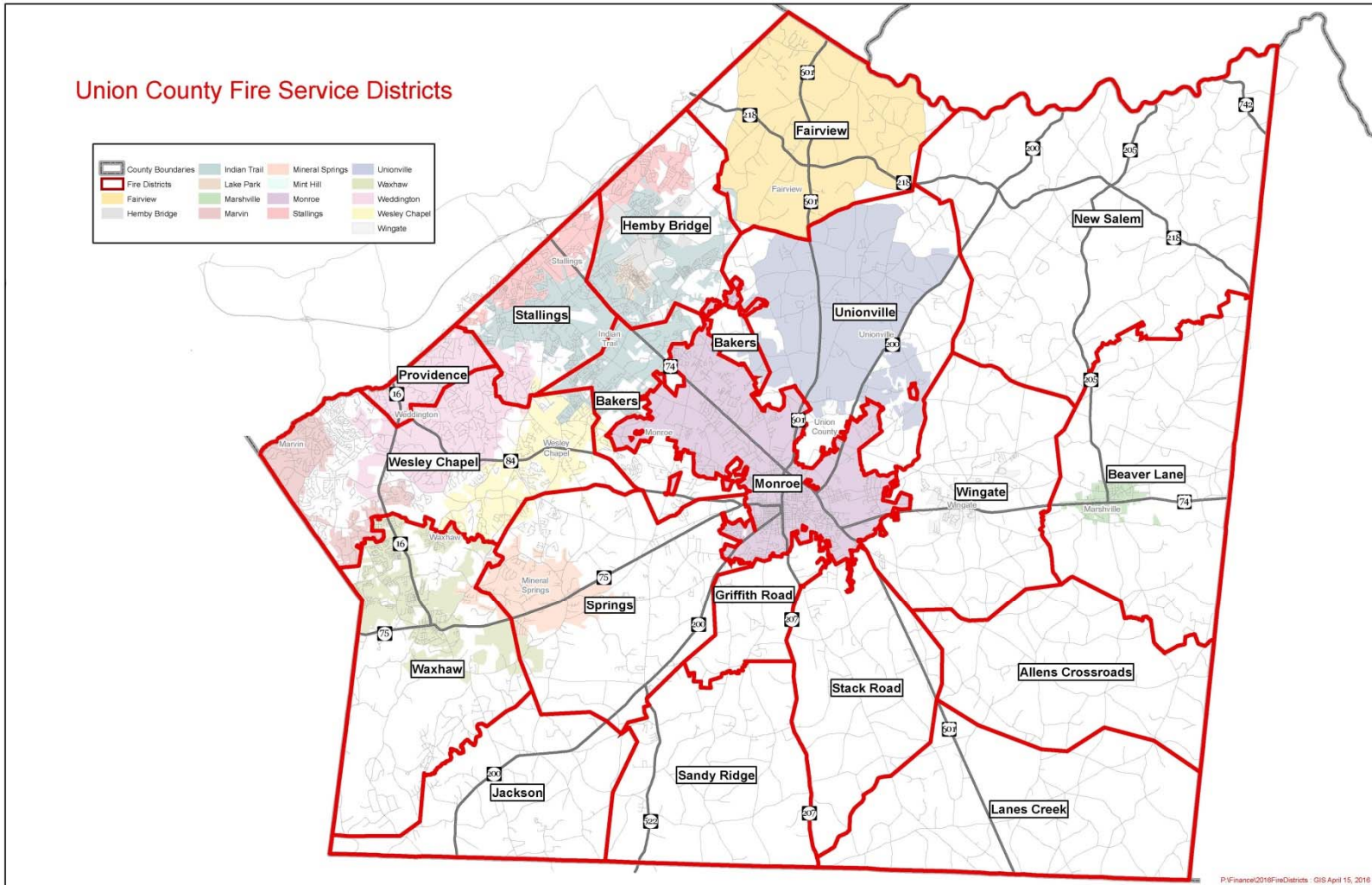
Option #1 "Subsidy & Tax Districts"

Characteristics

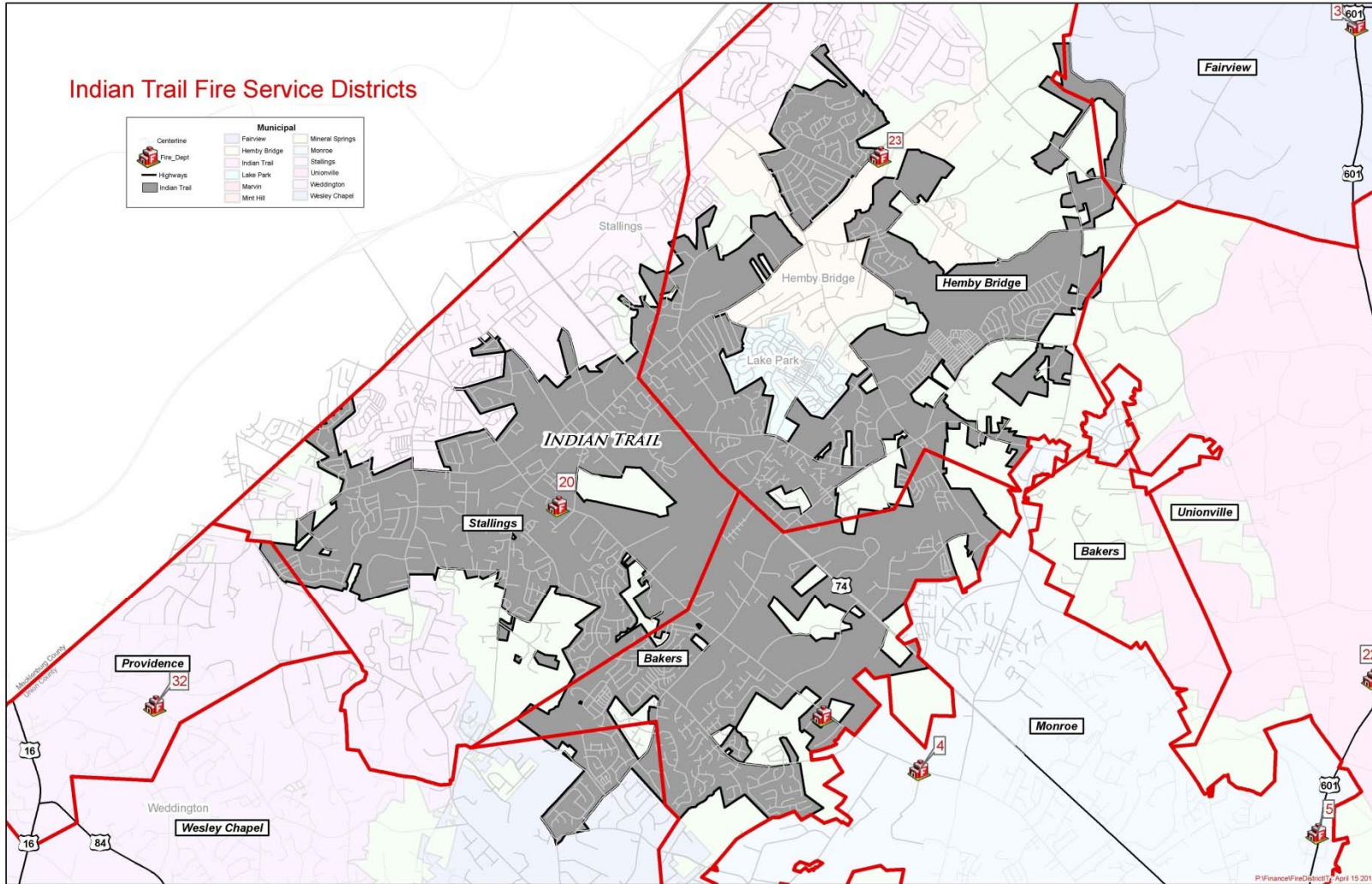
- Short-term solution does not provide for staffing and future needs within the various Fire Departments, without significant rate increases.
- Continues service inequity.
 - Without significant rate increases, rural, less densely populated districts will be unable to fund basic fire protection.
- Relies on debt or reserves to provide for the capital needs at each of the Fire Departments, spending tax dollars on interest or savings and not operations.
- Maintains the current budget process.
- Requires every municipality within a fire service tax district to approve the district.
 - Will lead to multiple rates within a single municipality.
 - Could lead to incomplete/multiple districts.
 - May not be in place by July 1.



Fire Service District Area



Overlapping District Areas



Option #2 "Countywide Rate Hybrid"

Description

- Funding Fire Protection through a countywide fire tax.
- Maintain the existing five fire service tax districts to provide higher levels of service to the more densely populated areas of the County.
- Capital Funding as pay-as-you-go funding of equipment and apparatus, as prescribed in the 2009 Fire Study



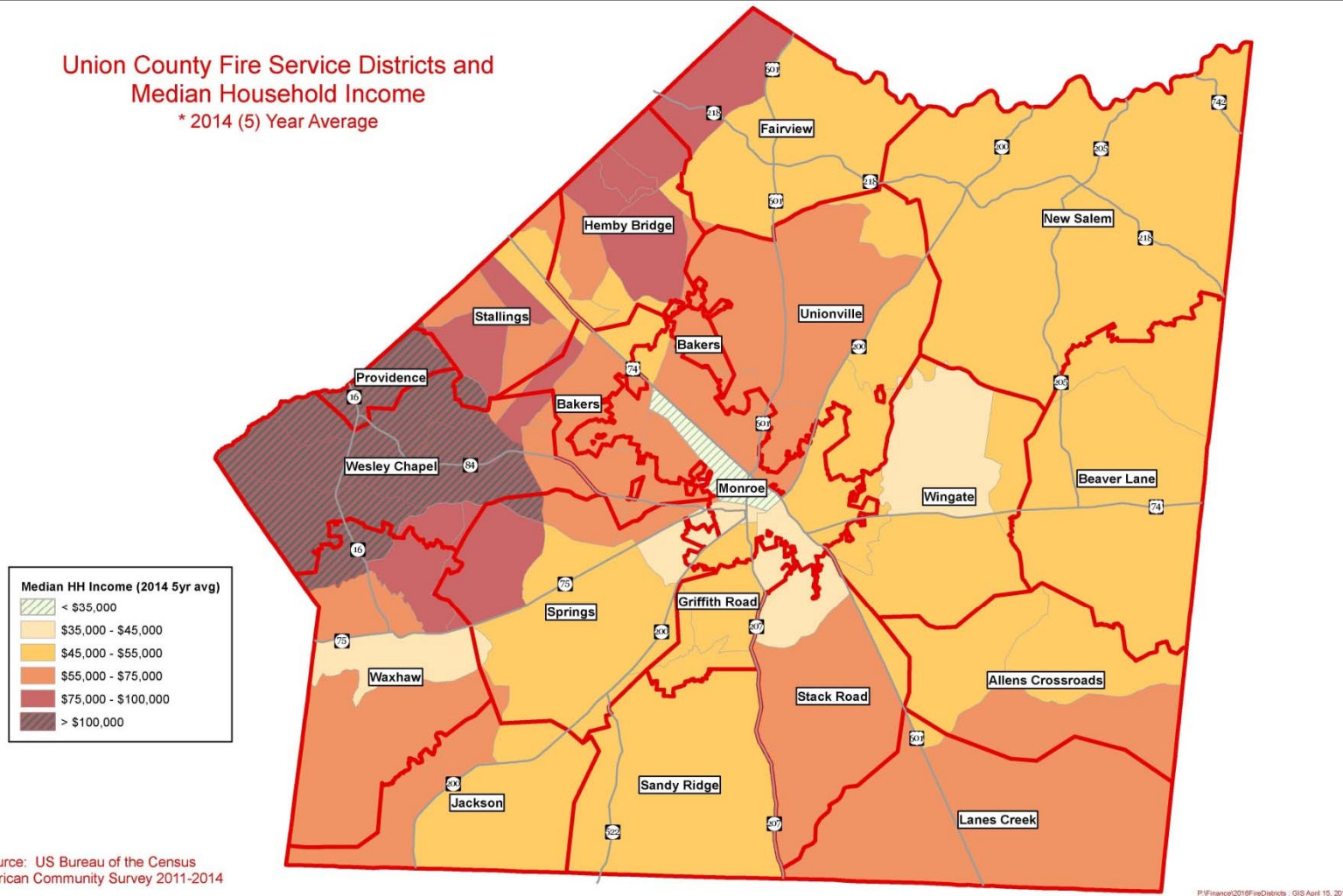
Option #2 "Countywide Rate Hybrid" Characteristics

- Provides a systematic approach to provide fire protection to all the residents of Union County regardless of geographic location and density.
- Over time will reduce the debt burden within the Fire Departments.
- Does not require any action within the municipalities.
- Limited administrative burden on the County and the Fire Departments.
- Sustainable funding into the future that provides for both capital and increases in staffing, limiting the risk of significant tax rates in the rural areas.
 - Eliminates the need for Fire Departments to take on debt.



Fire Service Districts and Median Household Income

Union County Fire Service Districts and Median Household Income
* 2014 (5) Year Average



* Source: US Bureau of the Census
American Community Survey 2011-2014

P:\Finance\2016\FireDistricts - GIS April 15, 2016



Option #2 "Countywide Rate Hybrid" Characteristics

- Allows the existing tax districts the ability to fund additional service levels, while helping to eliminate service inequity.
- Sales tax allocation would remain the same.
- Provides uniformity of tax rates, placing the majority of the County on a level playing field for economic development.
- This option would only change the funding mechanism. The remainder of the process and autonomy would remain in place.



Option #3 "Countywide Plus Districts"

Description

- Funding for the current fee districts to be provided through a Countywide Fire Tax.
- The 5 Current Fire Tax Districts funded through district specific taxes. Residents in the five tax districts would pay the Countywide Fire Tax rate in addition to their tax district's tax rate.



Option #3 "Countywide Plus Districts" Characteristics

- Provides the lowest rate option across the fire fee districts, with disproportional cost to fire tax districts.
- Sustainable funding into the future that provides for both capital and increases in staffing, limiting the risk of excessive tax rates on the rural areas.
 - Eliminates the need for Fire Departments to take on debt.
- Does not require any action within the municipalities.
- Sales tax allocation would remain the same.
- Legal Issues



Option #4 "One Fire Tax District with Exclusions" Description

- Funding provided through a Fire Service Tax District that excludes Monroe and Weddington.



Option #4 "One Fire Tax District with Exclusions" Characteristics

- Eliminates the tax impact to Monroe and Weddington.
- Sustainable funding into the future that provides for both capital and increases in staffing, limiting the risk of significant tax rates in the rural areas.
 - Eliminates the need for Fire Departments to take on debt.
- Provides uniformity of tax rates, placing the majority of the County on a level playing field for economic development.
- Requires every municipality within a fire service district to approve the district. Could lead to incomplete districts.
- Significantly increases the administrative burden on the County and the Fire Departments.
- Reduces the amount of sales tax the County would normally receive. For every 1% decrease in the amount allocated, the general fund will lose more than \$350,000 annually. Sales tax is used to fund schools' debt.

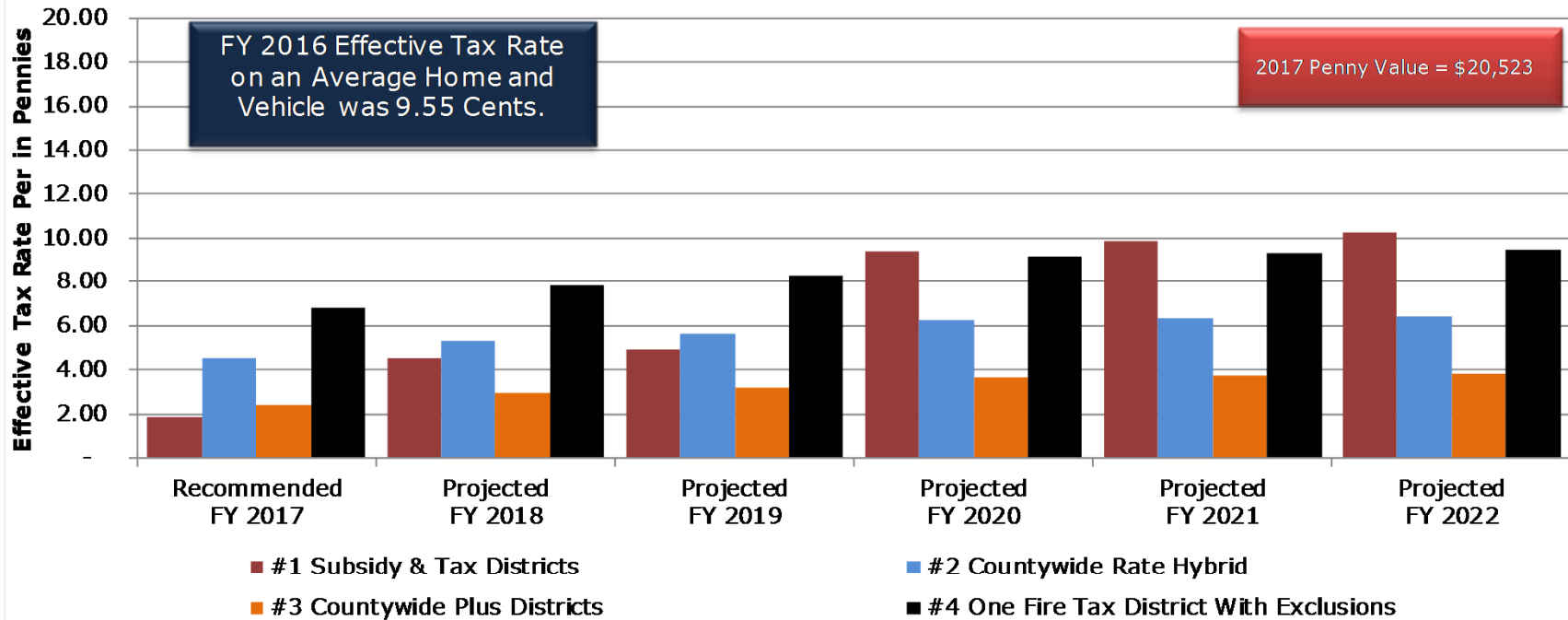


Modeling the Funding Options

- Some assumptions are universal:
 - Growth in line items based on inflation v. historical growth.
 - Capital funding grown at 3.5%
 - Staffing assumption based on the plan proposed by the Fire Chiefs during the summer.
 - Staffing goals reached by FY 2021.
 - \$12/hr part-time staffing.
 - Bunker gear (four sets per 1, 24/7 slot) included.
 - County provided radio service continues as in FY 2016.
- Challenge modeling due to lack of information, specifically a capital plan.
 - Capital in Option #1 is based on a capital reserve/debt service approach based on last known inventory.
 - Capital in Options #2-#4 based on Fire Study, \$1.7 million centralized capital funding.
- Future stations are not included in the modeling.



Allens Crossroads

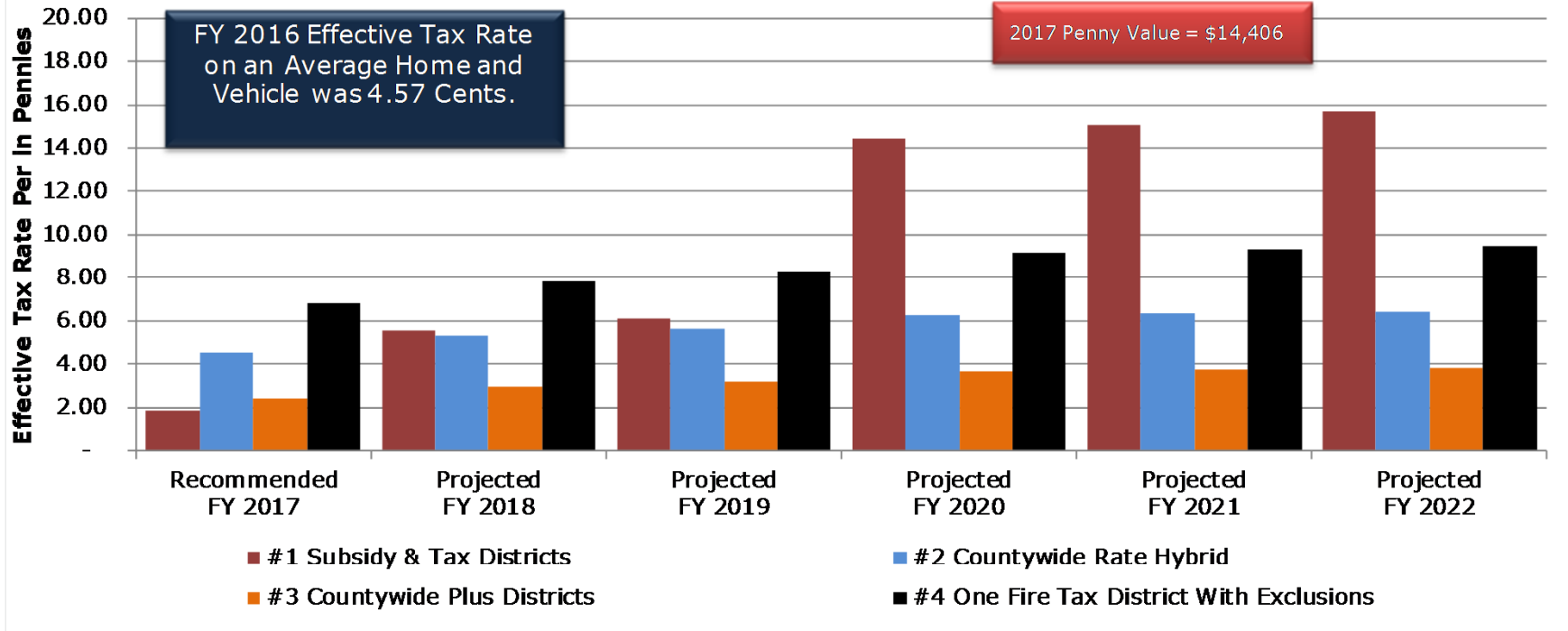


<i>Tax Rate Comparison</i>	Recommended FY 2017	Projected FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022
#1 Subsidy & Tax Districts	1.88	4.55	4.89	9.41	9.84	10.28
#2 Countywide Rate Hybrid	4.51	5.29	5.63	6.23	6.35	6.44
#3 Countywide Plus Districts	2.37	2.98	3.21	3.68	3.75	3.80
#4 One Fire Tax District With Exclusions	6.77	7.86	8.33	9.18	9.36	9.49

Sales Tax Note: Option #1 - No Sales Tax Assumption is Included; #2 & #3 - Sales Tax Held Flat to FY 2016



Griffith Road

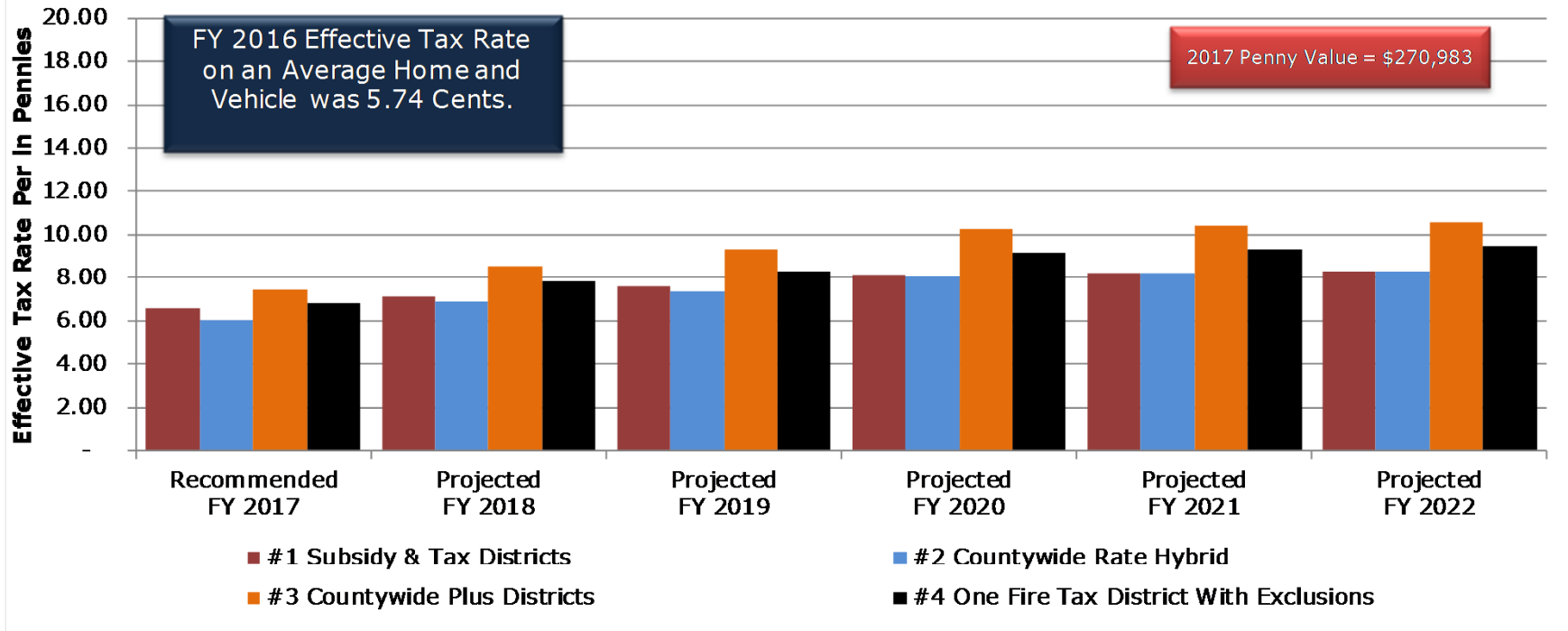


Tax Rate Comparison	Recommended FY 2017	Projected FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022
#1 Subsidy & Tax Districts	1.88	5.55	6.07	14.40	15.04	15.68
#2 Countywide Rate Hybrid	4.51	5.29	5.63	6.23	6.35	6.44
#3 Countywide Plus Districts	2.37	2.98	3.21	3.68	3.75	3.80
#4 One Fire Tax District With Exclusions	6.77	7.86	8.33	9.18	9.36	9.49

Sales Tax Note: Option #1 - No Sales Tax Assumption is Included; #2 & #3 - Sales Tax Held Flat to FY 2016



Hemby Bridge

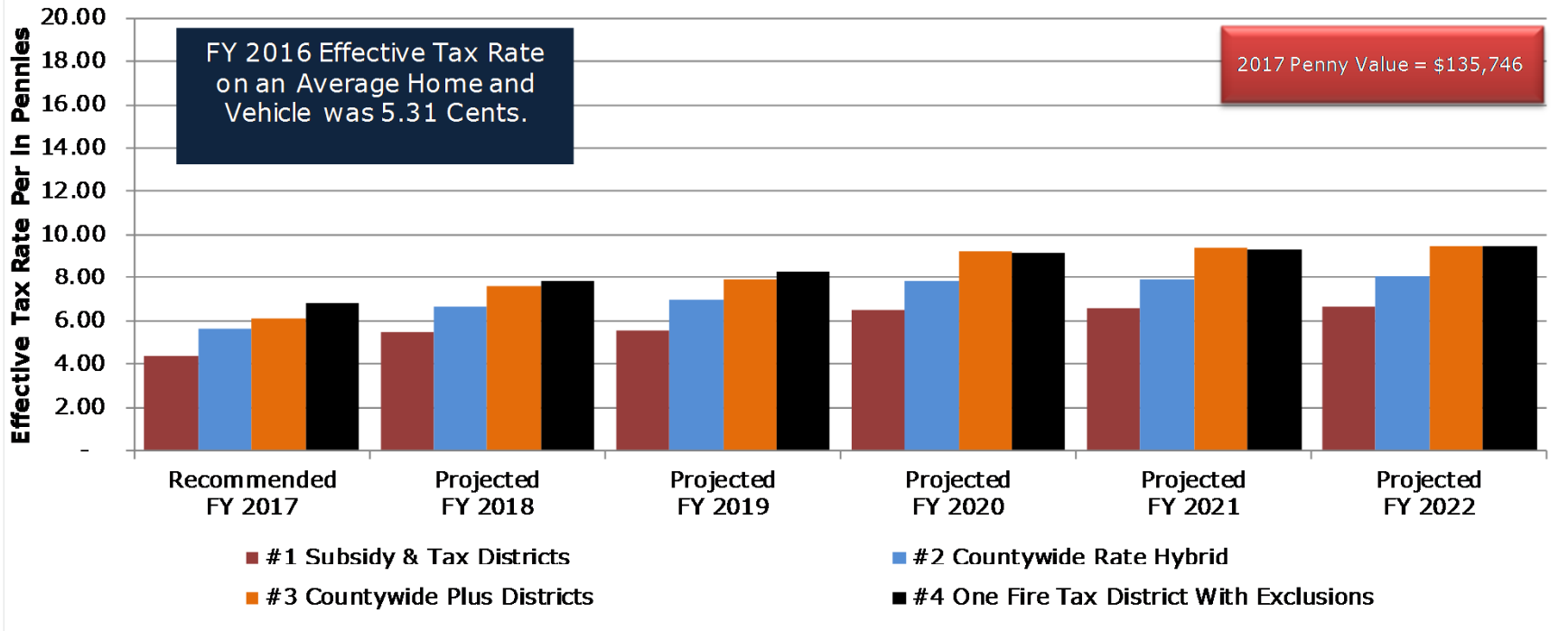


Tax Rate Comparison	Recommended FY 2017	Projected FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022
#1 Subsidy & Tax Districts	6.56	7.12	7.62	8.13	8.22	8.32
#2 Countywide Rate Hybrid	5.99	6.89	7.35	8.08	8.21	8.32
#3 Countywide Plus Districts	7.45	8.55	9.28	10.26	10.41	10.56
#4 One Fire Tax District With Exclusions	6.77	7.86	8.33	9.18	9.36	9.49

Sales Tax Note: Option #1 - No Sales Tax Assumption is Included; #2 & #3 - Sales Tax Held Flat to FY 2016



Springs

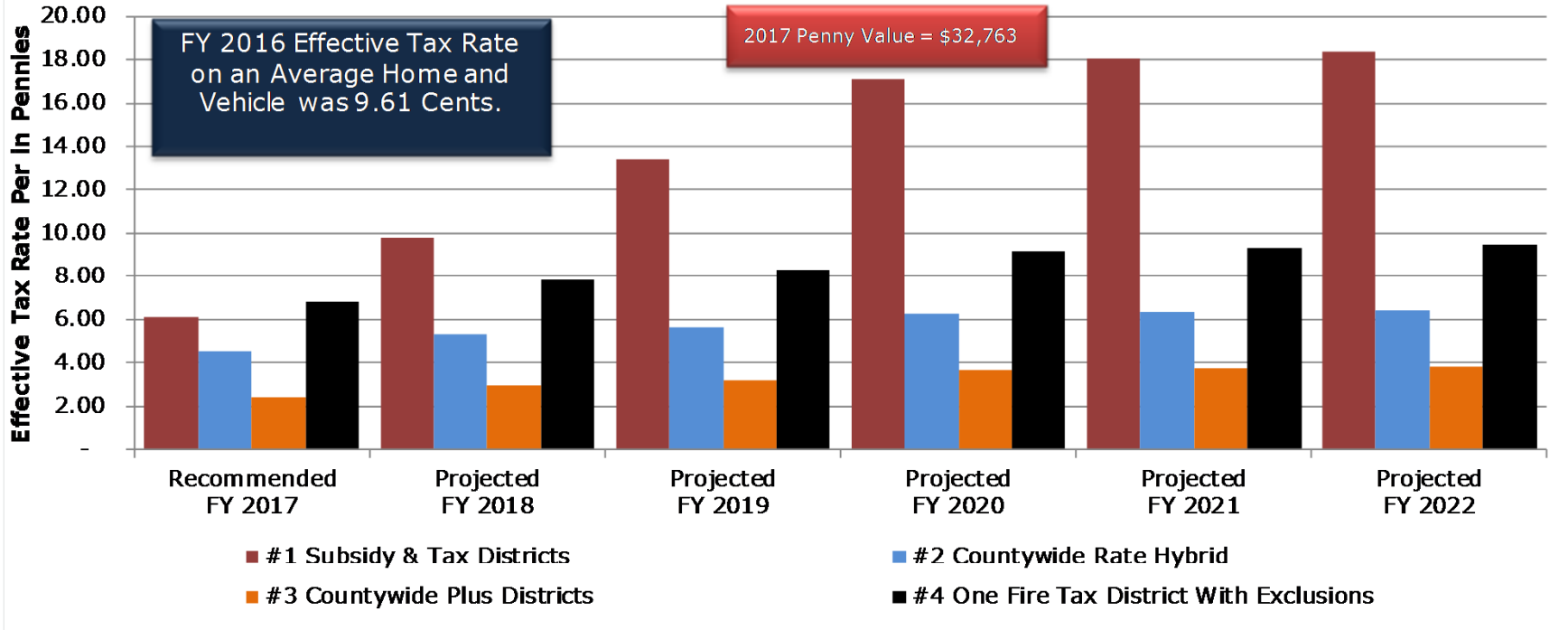


Tax Rate Comparison	Recommended FY 2017	Projected FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022
#1 Subsidy & Tax Districts	4.34	5.46	5.55	6.47	6.57	6.68
#2 Countywide Rate Hybrid	5.63	6.63	6.97	7.80	7.93	8.04
#3 Countywide Plus Districts	6.08	7.57	7.87	9.24	9.38	9.51
#4 One Fire Tax District With Exclusions	6.77	7.86	8.33	9.18	9.36	9.49

Sales Tax Note: Option #1 - No Sales Tax Assumption is Included; #2 & #3 - Sales Tax Held Flat to FY 2016



Wingate

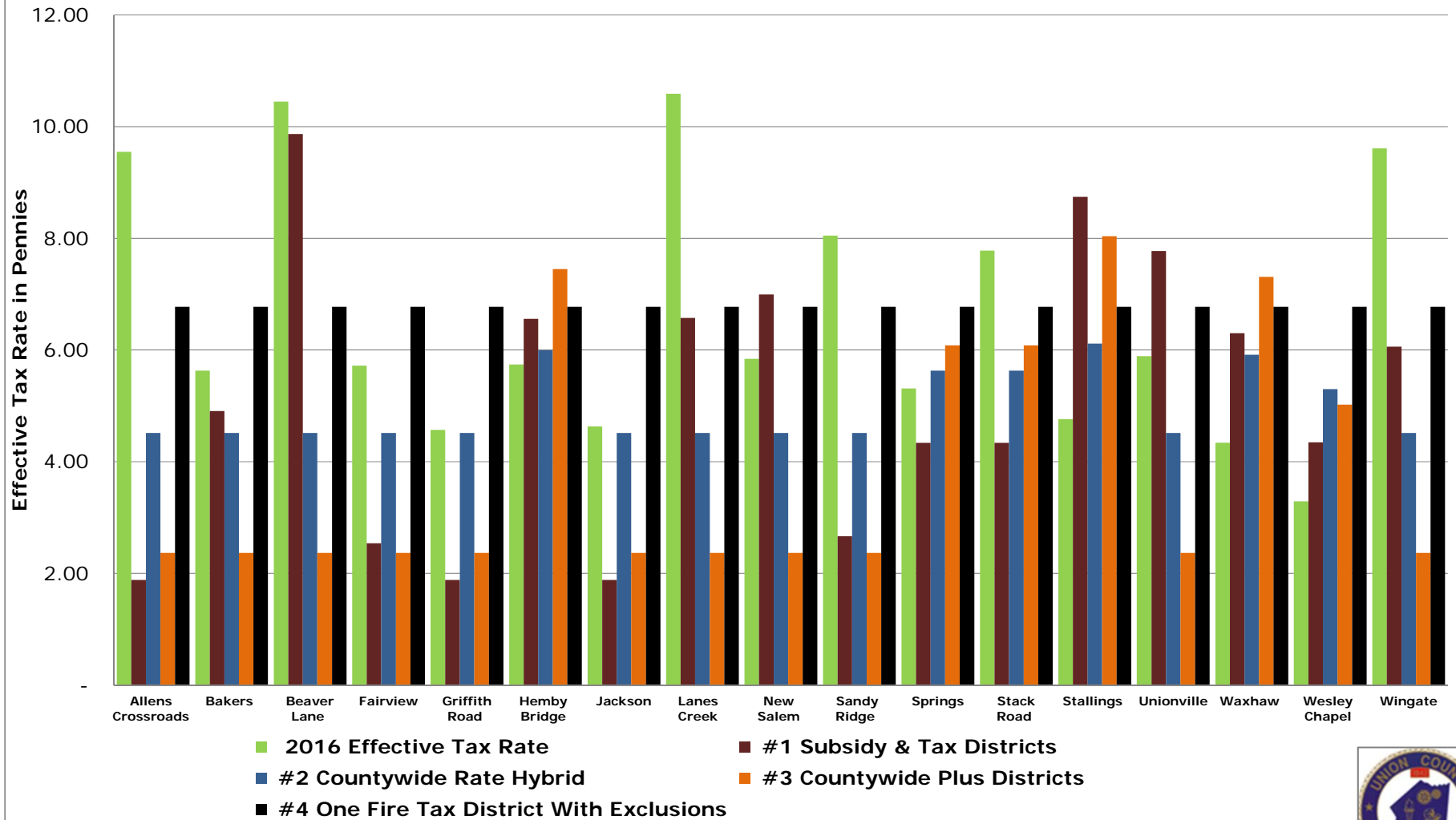


Tax Rate Comparison	Recommended FY 2017	Projected FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022
#1 Subsidy & Tax Districts	6.06	9.76	13.43	17.13	18.05	18.39
#2 Countywide Rate Hybrid	4.51	5.29	5.63	6.23	6.35	6.44
#3 Countywide Plus Districts	2.37	2.98	3.21	3.68	3.75	3.80
#4 One Fire Tax District With Exclusions	6.77	7.86	8.33	9.18	9.36	9.49

Sales Tax Note: Option #1 - No Sales Tax Assumption is Included; #2 & #3 - Sales Tax Held Flat to FY 2016



FY 2017 Tax Rate Comparison



Discussion

- Questions concerning the funding options?
- Questions concerning the analysis?
- Direction concerning preferred option?



Next Steps

April 25th – Revenue and Expenditure Worksession

April/May TBA – Solid Waste Business Plan Worksession

May 2nd – Proposed Budget Presentation to Board

Note: Excludes UCPS Funding

May 16th – Public Hearing Concerning County Budget

May 30th – Final Proposed Budget

June 6th – Public Hearing Concerning UCPS Budget

June 6th – Legal Public Hearing

June ?? – Final Adoption will be based on additional needed worksessions.

