



The City of North Port

NORTH PORT FIRE RESCUE DISTRICT

FY 2014 NON-AD VALOREM ASSESSMENT METHODOLOGY

Final Report



July 26, 2013

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July 26, 2013

Mr. William J. Taaffe
Fire Chief
North Port Fire Rescue District
4980 District Center Blvd.
North Port, FL 34286

Re: FY 2014 Fire/Rescue District Non-Ad Valorem Assessment Methodology Study -
Final Report

Dear Chief Taaffe:

Burton & Associates is pleased to present this Final Report of the Fire/Rescue Assessment Methodology Study that we have conducted for the District. We appreciate the fine assistance provided by you, your staff and all of the members of District staff who participated in the analysis.

Please note that the Appendix of this report includes the legal opinion provided by Mr. Terry Lewis, of Lewis, Longman and Walker, regarding the legal sufficiency of the assessment methodology presented in this report and used to calculate the assessment rates.

If you have any questions, please do not hesitate to call me at (904) 247-0787.

Very truly yours,



Michael E. Burton
President

Enclosure

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SECTION 1. INTRODUCTION

This report presents the results of an analysis to develop a recommended assessment methodology for the North Port Fire Rescue District (District) Non-Ad Valorem Assessment Program. The term “fire protection service” as used in this study refers to the twenty-four hours per day, seven days per week service for fire suppression provided by the District to properties located within its limits, including first responder service. This study was conducted by Burton & Associates, a firm that specializes in providing rate and assessment consulting services to local governments.

1.1 THE FIRE RESCUE DISTRICT

The District provides Fire/Rescue service through the North Port Fire Rescue District. The primary sources of funding for the District are non-ad valorem assessments and other miscellaneous revenues for services. No funding is provided by the General Fund of the City of North Port

1.2 OBJECTIVE AND SCOPE

The objective of this study was to develop a recommended methodology for the District’s Fire Rescue Assessments that will result in assessment rates that will recover the full cost requirement of providing fire protection service to properties within the District limits for FY 2014 and subsequent years in proportion to the benefit received from the fire protection service provided by the District.

1.3 STUDY PROCEDURES

During this study we identified the full FY 2014 cost requirements for the provision of fire protection service that recognizes the high level of service that has traditionally been provided by the District. We also projected annual cost requirements for providing fire protection service in each year of a ten-year projection period from FY 2014 through FY 2023. We accomplished this through interactive work sessions with District staff.

During these work sessions, we evaluated all cost components with District staff and evaluated a detailed cost allocation of all District costs to Fire/Rescue Service and Emergency Medical Service (EMS) that was performed by District staff. We found this allocation to be reasonable; therefore, after isolating Fire Rescue Service Costs, we then examined the impact of alternative scenarios upon key financial indicators. This was accomplished by use of visual representations

projected on a large viewing screen from our assessment rate model. In this way, we identified the recommended Fire/Rescue Assessments presented in this report that will recover 100% of its FY 2014 fire protection service cost requirements from the recommended assessment program. We also identified subsequent annual percentage adjustments that will be required for the Fire/Rescue Assessments in the remainder of the projection period from FY 2014 through FY 2022 in order to fund the District operation throughout the ten year projection period.

In order to initiate our analysis, we obtained the District's historical and budgeted District financial information, including three years of historical operating expenditures and other revenues generated from the Fire Rescue Assessments, the FY 2013 operating budget, year-to-date actual FY 2013 results, the preliminary estimates of the FY 2014 operating budget, and the multi-year capital improvement program. The capital improvement program includes a schedule of annual capital costs for equipment, vehicle and facility renewal and replacement, as well as new station cost requirements, and also identifies the additional operating and maintenance requirements associated with each capital expenditure.

To determine the full annual cost and corresponding revenue requirements of fire protection service, we included all costs associated with the provision of Fire/Rescue service and input all cost data into our Financial Analysis and Management System (FAMS-XL©) model to develop a ten-year financial management plan.

The FY 2014 fire protection service revenue requirement was then apportioned to vacant (un-improved) and improved residential and non-residential property classes based upon property data obtained from the Sarasota County Property Appraiser's Office. Property classifications were based upon Department of Revenue (DOR) property use codes for each parcel as maintained on the Property Appraiser's database. Once the allocations were complete, a Fire/Rescue Assessment rate structure was developed and specific Fire/Rescue Assessment rates were developed, the results of which are presented herein.

1.4 BACKGROUND

The development of a non-ad valorem assessment for fire protection service requires that the service for which properties are to be assessed confer a special benefit upon the property burdened by the special assessment. Simply stated, there must be a logical relationship between the service provided and the benefit to real property assessed for the service.

In addition to the special benefit requirement, the costs associated with providing the service must be reasonably apportioned to the properties that receive a benefit from fire protection service in proportion to the benefit received. Therefore, the recommended Fire/Rescue Assessments calculated in this study were developed such that the costs of providing fire protection service will be recovered through assessments to properties in proportion to the benefit received by the general availability of fire protection service to all properties and by the specific availability of fire protection service apportioned to protection from loss of structures due to fire on improved property.

This section describes the assessment methodology used to develop the Fire/Rescue assessments in this report. The first section discusses relevant Florida Law regarding Special Non-ad Valorem Assessments, followed by sections discussing how Florida Law has been applied to the determination of benefit and the apportionment of the annual revenue requirements of the Fire/Rescue Assessment to benefitting properties.

1.4.1 SUMMARY OF RELEVANT FLORIDA LAW GOVERNING SPECIAL ASSESSMENTS

This section discusses relevant Florida Law regarding special non-ad valorem assessments as it relates to the District's proposed Fire/Rescue Assessment program. The discussion covers how Florida law relates to special benefit and proportional benefit.

Special non-ad valorem assessments are a revenue source available to local governments in Florida to fund operations and maintenance expenses and capital improvements for essential services such as roads, drainage, fire/rescue services, utilities, etc. Florida case law has established two requirements for the imposition of a non-ad valorem special assessment. These two requirements have become known as the two pronged test. They are 1) the property assessed must derive a special benefit from the service provided, and 2) the assessment must be fairly and reasonably apportioned among the properties that receive the special benefit.

In considering special benefit, the following question must be considered, "Can a special benefit be derived from Fire/Rescue Service by all properties within the District to meet the first prong of the two pronged test, even if all properties are not improved and/or do not receive calls for service?". The answer is yes based in part upon the Florida Supreme Court determination in Fire District No. 1 of Polk County v. Jenkins that a sufficient special benefit was derived by the

availability of fire services to justify the imposition of the special assessment.¹ Also, in Meyer v. City of Oakland Park the Court upheld a sewer assessment on both improved and unimproved property, stating that the benefit need not be direct or immediate but must be substantial, certain and capable of being realized within a reasonable time². In District of Hallendale v. Meekins³ the Court indicated that the proper measure of benefits accruing to property from the assessed improvement was not limited to the existing use of the property, but extended to any future use which could reasonably be made.

1.3.1.2 Proportional Benefit

It is well settled under Florida law that local governments are afforded great latitude regarding legislative determinations of special benefit and reasonable apportionment of costs as evidenced by the Florida Supreme Court finding in City of Boca Raton v. State of Florida⁴ that the apportionment of benefits is a legislative function, and if reasonable persons may differ as to whether the land assessed was benefitted by the local improvement, the findings of the District officials must be sustained. In City of Boca Raton v. State of Florida⁵ the Florida Supreme Court also determined that the manner of the assessment is immaterial and may vary within the district, as long as the amount of the assessment for each tract is not in excess of the proportional benefits as compared to other assessments on other tracts.

1.4.2 SPECIAL BENEFIT – THE FIRST PRONG OF THE TWO PRONGED TEST

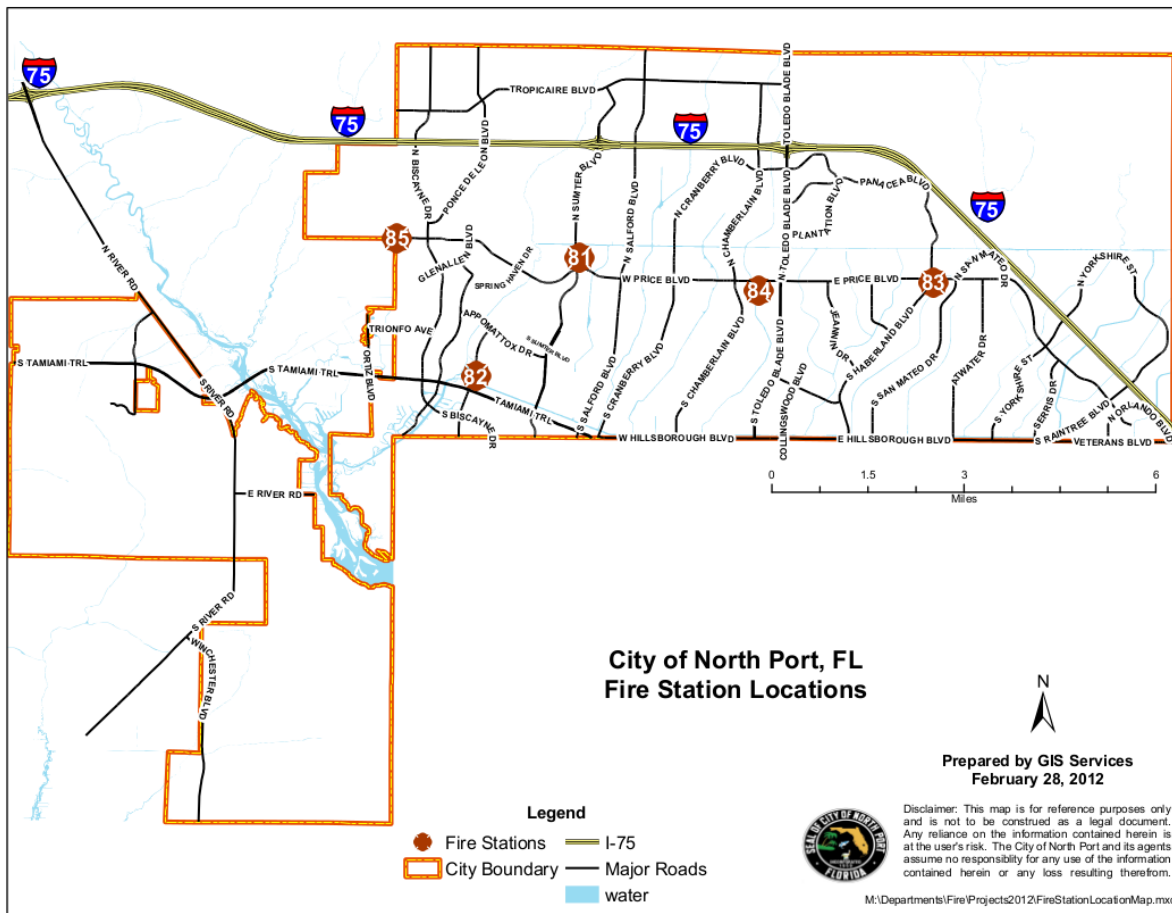
Based upon discussions with District staff about the extent and nature of the Fire/Rescue Services provided, we have concluded that all parcels within the District receive a special benefit from the availability of Fire/Rescue Services provided by the District, because the Fire/Rescue resources are maintained throughout the District at the same state of response readiness and availability to all parcels. A map of the District's fire stations was provided by District staff and is presented on the following page and shows that the fire stations are distributed throughout the District.

¹ Fire District No. 1 of Polk County v. Jenkins, 221 So.2d 740 (Fla. 1969)

² Meyer v, City of Oakland Park, 219 So.2d 417 (Fla. 1969)

³ City of Hallendale v. Meekins, 237 So.2d 318 (Fla. 4th DCA 1970), aff'd, 245 So.2d 253 (Fla 1971)

⁴ City of Boca Raton v. State of Florida, 595 So.2d 25 (1992)



In considering special benefit, it is important to consider that the District maintains its Fire/Rescue resources at a level that provides a response readiness condition to respond to calls for service throughout the District at relatively equal levels of service. When needed, responses are made to calls for service without discrimination as to the property type or location within the District or any other factors specific to the property requiring the service. Therefore, all properties receive a special benefit from the District's Fire/Rescue Service by its very availability and improved parcels also receive an additional special benefit in the protection from the loss of structures on the property afforded by the ability to obtain fire insurance at attractive rates and the availability of the fire protection services provided by the District to actually suppress a fire and protect the structure(s) on the property from damage and/or loss. The special benefits provided to all parcels, improved and un-improved, by the availability of Fire/Rescue Service provided by the District include:

- Availability of immediate response to fire,
- First responder medical aid to protect the life and safety of occupants,
- Containment of liability for emergency incidents on the subject parcels and the spread of fires to other property,
- Enhanced property value, and
- Enhanced marketability of and/or ability to develop property.

In addition to the above special benefits that are conferred upon all parcels in the District, the following additional benefits are conferred upon improved parcels:

- Protection from the loss of structures on the property due to fire by virtue of:
 - The ability to obtain fire insurance and to obtain that insurance at attractive rates because of the availability of fire protection service, and
 - Protection of loss of structures provided by the availability of fire suppression service provided by the District,

Therefore, the first prong of the two pronged test (the property burdened by the assessment must derive a special benefit from the service provided by the assessment) is met because all properties in the District receive a special benefit from the availability of the District-wide Fire/Rescue service provided by the District.

1.4.3 FAIR APPORTIONMENT – THE SECOND PRONG OF THE TWO PRONGED TEST

In considering the assessment methodology, the second prong of the two pronged test requires that the costs of the assessment must be fairly and reasonably apportioned among the properties that receive the special benefit. In this Study we have developed an apportionment methodology based upon the readiness-to-serve availability of fire protection service to all parcels, improved and un-improved, and an additional benefit that this availability of service provides to improved property by the protection from the loss of the structures on improved parcels through the ability to obtain insurance at attractive rates and the ability of the District to respond to and suppress a fire.

Accordingly, the apportionment methodology recognizes two tiers of benefit:

1. Tier 1 - the simple availability of fire protection service which is available equally without discrimination to all parcels of all types within the District by virtue of the

continued state of readiness to provide fire/rescue service that is maintained by the District, and

2. Tier 2 - the protection from the loss of structures on the property provided by the availability of fire protection service by:
 - a. The ability to obtain fire insurance, and
 - b. The continued state of readiness maintained by the District so that when actual calls for service are received the District can provide fire suppression service to protect property owners from the loss of structures on their property.

1.4.4 APPORTIONMENT OF FIRE/RESCUE COSTS TO BENEFIT COST POOLS

In order to apportion costs to benefitting parcels, the first step is to apportion the costs to be recovered in the Fire Assessment (exclusive of EMS costs) to the Tier 1 - Response Readiness Benefit Cost Pool and the Tier 2 - Protection from Loss of Structures Benefit Cost Pool as follows:

1. Tier 1 - Response Readiness

The District maintains the facilities, equipment and personnel necessary to provide fire protection services on a 24 hour a day, seven days a week, year round basis to all parcels in the District. This state of response readiness is provided by the fixed costs of the system that are not discretionary and that are not deployed in the actual response to calls. These costs are not associated with actual responses to incidents, but are incurred to maintain a constant state of readiness to serve every parcel of real property in the District and will be incurred regardless of that parcel's character or use. The fixed, non-discretionary costs of the District are the personnel costs that must be incurred independent of the number of calls for service (which are total personnel costs less the portion of personnel costs involved in actually responding to calls for service) plus lease payments and capital expenses. These costs represent approximately 70% of total Fire/Rescue costs as calculated in Section 2 – Analysis and Results.

2. Tier 2 - Protection from Loss of Structures

The costs associated with protection from loss of structures on property include all other costs that are not included in the Tier 1 - Response Readiness Benefit cost pool. These costs include the portion of personnel costs involved in actually responding to calls for service, plus other costs that are incurred relative to variable drivers, such as fuel, equipment maintenance, and other operating costs. These costs represent

approximately 30% of total Fire/Rescue costs as calculated in Section 2 – Analysis and Results.

1.4.5 APPORTIONMENT OF BENEFIT COST POOLS TO PROPERTIES

The next step is to apportion the costs in each benefit cost pool to benefitting properties as follows:

1. Tier 1 - Response Readiness Benefit Cost Pool

All parcels in the District benefit from the availability of fire protection service that the District provides without discrimination as to property class on a 24 hours a day, seven days a week, year around basis. This availability benefit is conferred upon all parcels whether or not a request for actual assistance to the parcel is ever received. These costs to maintain a constant state of readiness to serve apply to every parcel of real property in the District, are not associated with responding to actual incidents and will be incurred regardless of that parcel's character or use. As stated earlier in this report, the special benefits provided to all parcels by the availability of Fire/Rescue Service provided by the District include:

- Availability of immediate response to fire,
- First responder medical aid to protect the life and safety of occupants,
- Containment of liability for emergency incidents on the subject parcels and the spread of fires to other property,
- Enhanced property value, and
- Enhanced marketability of and/or ability to develop property.

Therefore, it is appropriate to apportion the costs in this cost pool to all parcels as calculated in Section 2 – Analysis and Results.

2. Tier 2 - Protection from Loss of Structures Benefit Cost Pool

Improved properties benefit from the protection from loss of the structures on the parcels. The protection from the loss of the structures due to fire is best represented by the protection from the loss of the investment in the structure(s) or the avoidance of the cost of replacing the structure(s) on the property. This protection from loss is conferred on such parcels by the availability of the fire protection services provided by the District either through the ability to obtain fire insurance or by the ability of the District to provide actual fire suppression services, whether or not a request for service is ever received.

The actual investment or replacement cost of the structure(s) on the parcels in the District is not readily available. However, the structure values in the Property Appraiser's data base are readily available and are the best data that is reasonably available as a surrogate representation of the relative investment or replacement cost of structures on each parcel in the District as compared to the investment or replacement cost of structures on all parcels in the District. As stated earlier in this report, in addition to the special benefits that are conferred upon all parcels in the District by the Tier 1 availability benefit, the following additional benefits are conferred upon improved parcels:

- Protection from the loss of the value of structures on the property due to fire by virtue of:
 - The ability to obtain fire insurance and to obtain that insurance at attractive rates because of the availability of fire protection service whether or not a request for service is ever received, and
 - The protection of loss provided by the availability of fire suppression service provided by the District to respond to a call and to suppress the fire whether or not a request for service is ever received,

Therefore, it is appropriate to apportion the costs in this cost pool based upon the relative value of structures on improved parcels as contained in the Property Appraiser's data base. It is important to note that structure value is not assessed value and it is used simply as the best readily available surrogate representation of the relative investment or replacement cost of structures on each parcel in the District as compared to the investment or replacement costs of structures on other parcels in the District.

However, because structure value is not a precise, dollar for dollar surrogate for the investment or replacement cost of structures on parcels in the District, this benefit of protection from the loss of structures does not materially increase with every dollar of increase in structure value. Rather, it increases over a larger order of magnitude of increases in structure value. Therefore, we have determined that a reasonable Equivalent Benefit Unit (EBU) for this benefit cost pool that recognizes the relative value of structures on parcels as a surrogate for investment or replacement cost of those structures is \$5,000 increments of structure value (rounded down to the nearest \$5,000) as calculated in Section 2 – Analysis and Results.

1.4.6 DISCUSSION OF THE APPORTIONMENT METHODOLOGY

The apportionment methodology is based upon the property database maintained by the Sarasota County Property Appraiser, which is updated as properties within the District develop or are combined, split or subdivided. Therefore, the fire assessments will be essentially self-correcting as the assessment roll is updated each year and vacant parcels upon which structures have been constructed are reclassified as improved parcels and their assessments are adjusted accordingly. Furthermore, this data base can be accessed from year to year without extraordinary effort and cost to the District and provides a stable, reliable, reasonably accurate and cost effective basis for update of the assessment program from year to year.

The methodology is a benefit based approach which is the legal requirement for a non ad valorem assessment. This methodology does not rely upon *demand* based calls-for-service data. Rather, the recommended methodology herein focuses on *benefit* to the property based upon the availability of service which is a better matching of benefit received from the service provided, which is the availability of fire protection service on a 24 hours per day 7 days a week basis, which provides benefit to all properties regardless of whether or not requests for service are ever received from any class of properties, or individual properties.

This methodology recognizes the fact that...

First and foremost the fire protection resources maintained by the District are maintained to stand ready and available to provide fire protection service 1) to all real property, and 2) to protect improved real property from the loss of structures due to fire.

Therefore, the second prong of the two pronged test is met by the recommended approach that is based upon two tiers of benefit, 1) availability of service to all parcels, and 2) protection from loss of structures on improved parcels, both of which are derived from the continuous state of readiness maintained by the District to provide fire protection service on a 24 hours a day, seven days a week, year around basis to these parcels whether or not requests for service are ever received from any class of properties, or individual properties.

SECTION 2. ANALYSIS AND RESULTS

This section presents the basis for and the results of 1) the development of a ten-year financial management plan for the District, and 2) the calculation of FY 2014 Fire/Rescue Assessments designed to recover 100% of the full cost of providing fire protection services in the District. The methodology used results in assessments to individual properties that are in proportion to the benefit received by the availability of fire protection service to the properties to be assessed.

The analysis was conducted in two work elements as follows:

Work Element 1 – Revenue Sufficiency Analysis

This work element consisted of the development of a ten-year financial management plan for the District that will provide sufficient revenue to meet all of its current and projected operating, maintenance, and capital cost requirements during all years of the projection period, assuming that the Fire/Rescue Assessments recover up to 75% of the annual Fire/Rescue Service revenue requirements. This work element also served as the basis for the FY 2014 revenue requirement for the development of specific Fire/Rescue Assessment rates for FY 2014.

Work Element 2 – Cost Apportionment and Assessment Rate Design

This work element consisted of the development of a cost apportionment methodology, specific assessment rates, and an assessment roll of all properties within the District to be assessed in order to recover the revenue requirement for FY 2014 that was identified in Work Element 1. The analysis and results of each work element are presented in the following sections.

2.1 WORK ELEMENT 1 – REVENUE SUFFICIENCY ANALYSIS

This section presents the results of the analysis conducted in this work element and our recommendations based upon those results.

2.1.1 ANALYSIS AND RESULTS

In order to develop the Fire/Rescue Assessments, it was first necessary to determine the cost of providing fire protection services to all properties located within the District limits. As such, we conducted several interactive work sessions with District staff during which we compiled fire

protection costs and evaluated the allocation of costs to fire protection and emergency medical service (EMS) that had been conducted by District staff. We found that allocation to be reasonable; therefore, we proceeded with the development of the revenue requirements of the Fire/Rescue Assessment based upon the inclusion of those Fire/Rescue costs in the compilation of costs eligible to be recovered in the Fire/Rescue Assessments. In addition, the eligible costs included costs associated with preparing and certifying the annual assessment roll, the payment to the Sarasota County Tax Collector to process the annual assessment, mailing costs, and future cost requirements associated with vehicle replacement, station rehabilitation, and other capital improvement projects.

We then developed a ten-year financial management plan for the District. The projections for future years operating and maintenance costs in the plan were based upon annual escalation factors for each category of operating and maintenance costs which were determined based upon recent history, our experience with similar analyses and consultation with District staff.

The table on the following page presents a schedule of the projected revenue requirements of the District, net of EMS costs, during the entire ten-year projection period.

FIRE/RESCUE EXPENDITURE PROJECTIONS

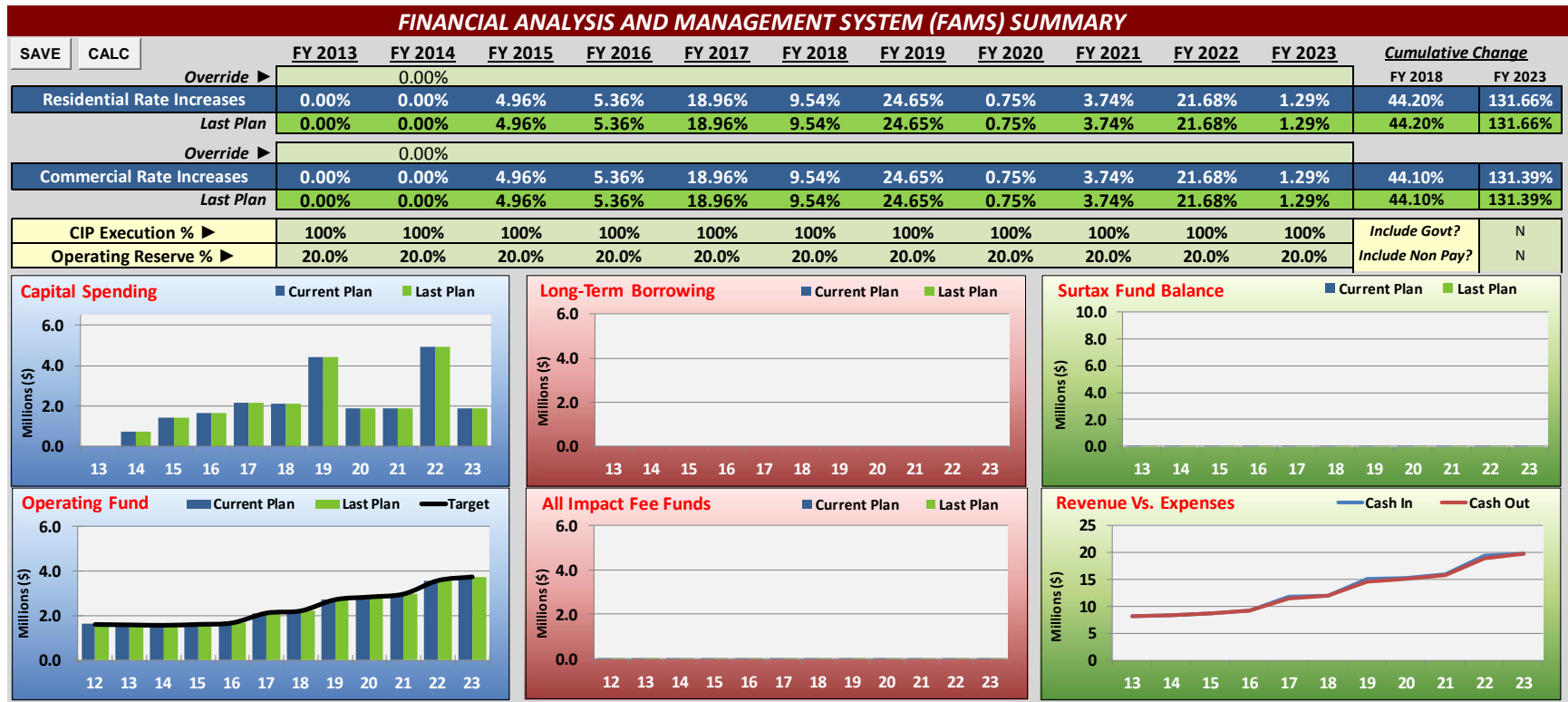
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
1 FIRE OPERATING EXPENSES											
2 Executive Salaries	\$ 96,740	81,260	81,260	81,260	84,510	87,891	91,406	95,063	98,865	102,820	106,933
3 Regular Salaries	\$ 3,067,883	3,071,040	3,071,040	3,316,723	3,449,392	3,587,368	3,730,863	3,880,097	4,035,301	4,196,713	4,364,581
4 Other Salaries & Wages	\$ -	-	-	-	-	-	-	-	-	-	-
5 Overtime	\$ 795,276	803,200	803,200	803,200	835,328	868,741	903,491	939,630	977,216	1,016,304	1,056,956
6 Education Incentive	\$ 33,120	36,240	36,240	36,240	37,690	39,197	40,765	42,396	44,092	45,855	47,689
7 Cleaning Allowance	\$ 23,912	23,920	23,920	23,920	24,877	25,872	26,907	27,983	29,102	30,266	31,477
8 FICA	\$ 303,945	302,990	302,990	327,229	340,318	353,931	368,088	382,812	398,124	414,049	430,611
9 Florida Retirement System	\$ 19,933	30,960	30,960	30,960	32,198	33,486	34,826	36,219	37,668	39,174	40,741
10 Pension Fund Contribution	\$ 1,213,437	1,140,200	1,140,200	1,211,020	1,259,461	1,309,839	1,362,233	1,416,722	1,473,391	1,532,326	1,593,620
11 Insurance - Life & Health	\$ 414,355	463,710	510,081	561,089	617,198	678,918	746,810	821,491	903,640	994,004	1,093,404
12 Vision Care	\$ 3,596	3,520	3,872	4,259	4,685	5,154	5,669	6,236	6,859	7,545	8,300
13 Workers' Compensation	\$ 70,490	82,840	85,325	87,885	90,522	93,237	96,034	98,915	101,883	104,939	108,087
14 Unemployment Compensation	\$ 1,100	1,930	1,930	1,930	2,007	2,087	2,171	2,258	2,348	2,442	2,540
15 Educational Assistance	\$ 6,000	6,000	6,000	6,000	6,240	6,490	6,749	7,019	7,300	7,592	7,896
16 Legal Services	\$ 20,000	20,000	20,500	21,013	21,538	22,076	22,628	23,194	23,774	24,368	24,977
17 Medical Services	\$ 48,470	45,470	47,744	50,131	52,637	55,269	58,033	60,934	63,981	67,180	70,539
18 Other Professional Services	\$ 2,800	1,080	1,107	1,135	1,163	1,192	1,222	1,252	1,284	1,316	1,349
19 Travel & Per Diem	\$ 10,300	7,500	7,688	7,880	8,077	8,279	8,486	8,698	8,915	9,138	9,366
20 Communications Services	\$ 39,890	38,370	39,329	40,312	41,320	42,353	43,412	44,497	45,610	46,750	47,919
21 Postage & Mailing	\$ 850	400	410	420	431	442	453	464	475	487	500
22 Water & Sewer	\$ 9,300	9,600	10,080	10,584	11,113	11,669	12,252	12,865	13,508	14,184	14,893
23 Electric	\$ 36,700	32,000	33,600	35,200	37,044	38,896	40,841	42,883	45,027	47,279	49,643
24 Rentals & Leases	\$ 4,000	4,000	4,100	4,203	4,308	4,415	4,526	4,639	4,755	4,874	4,995
25 Insurance	\$ 59,921	71,730	73,523	75,361	77,245	79,176	81,156	83,185	85,264	87,396	89,581
26 Repair & Maintenance	\$ 1,000	1,000	1,025	1,051	1,077	1,104	1,131	1,160	1,189	1,218	1,249
27 R&M Vehicles and Equipment	\$ 37,735	32,780	33,600	34,439	35,300	36,183	37,088	38,015	38,965	39,939	40,938
28 Buildings	\$ 13,000	9,000	9,225	9,456	9,692	9,934	10,183	10,437	10,698	10,966	11,240
29 Fleet Service Charge	\$ 286,554	314,550	32,236	33,042	33,868	34,715	35,583	36,472	37,384	38,319	39,277
30 Fleet - Labor	\$ -	57,580	59,020	60,495	62,007	63,558	65,146	66,775	68,445	70,156	71,910
31 Fleet - Parts	\$ -	124,130	127,233	130,414	133,674	137,016	140,442	143,953	147,552	151,240	155,021
32 Printing & Binding	\$ 1,500	500	513	525	538	552	566	580	594	609	624
33 Licenses, Fees, Permits	\$ 1,186	14,030	14,732	15,468	16,241	17,054	17,906	18,802	19,742	20,729	21,765
34 Food	\$ 425	3,480	3,654	3,837	4,029	4,230	4,441	4,664	4,897	5,142	5,399
35 Payment to General Fund	\$ 753,632	630,480	662,004	695,104	729,859	766,352	804,670	844,903	887,149	931,506	978,081
36 Payment to SWD	\$ 3,775	3,700	3,793	3,887	3,984	4,084	4,186	4,291	4,398	4,508	4,621
37 Office Supplies	\$ 3,500	3,350	3,434	3,520	3,608	3,698	3,790	3,885	3,982	4,082	4,184
38 Other Operating Supplies	\$ 45,190	41,090	43,145	45,302	47,567	49,945	52,442	55,065	57,818	60,709	63,744
39 Fuel	\$ 101,000	90,000	94,500	99,225	104,186	109,396	114,865	120,609	126,639	132,971	139,620
40 Uniforms	\$ 17,500	17,500	18,375	19,294	20,258	21,271	22,335	23,452	24,624	25,855	27,148
41 Protective Gear	\$ 27,500	19,890	20,885	21,929	23,025	24,176	25,385	26,655	27,987	29,387	30,856
42 Minor Operating Equipment	\$ 60,481	35,890	37,685	39,569	41,547	43,625	45,806	48,096	50,501	53,026	55,677
43 Public Education	\$ 1,500	750	769	788	808	828	849	870	892	914	937
44 Books, Pubs, Subs, Memb	\$ 3,745	2,400	2,460	2,522	2,585	2,649	2,715	2,783	2,853	2,924	2,997
45 Training & Education	\$ 26,250	22,000	22,550	23,114	23,692	24,284	24,891	25,513	26,151	26,805	27,475
46 ADDITIONAL OPERATING EXPENSES OUTSIDE OF BUDGET											
47 Preparing and Certifying Assessment Roll	\$ 15,000	15,375	15,759	16,153	16,557	16,971	17,395	17,830	18,276	18,733	19,201
48 Tax Collector Collection Costs	\$ 115,137	117,084	123,556	131,114	137,884	144,977	152,407	160,192	168,343	176,871	185,784
49 Trim Notice & Mailing Costs	\$ 15,000	15,375	15,759	16,153	16,557	16,971	17,395	17,830	18,276	18,733	19,201
50 Prepayment Discount	\$ 311,101	312,225	329,484	349,636	419,157	462,660	581,125	589,891	616,548	755,816	771,238
51 Reserve Stabilization	\$ -	150,000	150,000	-	-	-	-	-	-	-	-
52 ADDITIONAL O&M FROM CIP											
53 Fire Station 85											
54 Utilities	\$ -	-	4,750	5,250	5,750	6,038	6,340	6,657	6,990	7,339	7,706
55 Repairs & Maintenance	\$ -	-	8,800	9,300	9,900	10,395	10,915	11,460	12,034	12,635	13,267
56 Supplies	\$ -	-	15,188	15,947	16,745	17,583	18,462	19,385	20,355	21,372	22,441
57 Fire Station 86 Thomas Ranch											
58 Utilities	\$ -	-	-	-	16,745	17,585	18,464	19,387	20,357	21,375	22,443
59 Repairs & Maintenance	\$ -	-	-	-	5,750	6,040	6,342	6,659	6,992	7,342	7,709
60 Supplies	\$ -	-	-	-	9,900	10,395	10,915	11,460	12,034	12,635	13,267
61 Personnel	\$ -	-	-	-	1,730,918	1,782,850	1,871,993	1,965,592	2,063,872	2,167,065	2,275,419
62 Fire Station 87											
63 Utilities	\$ -	-	-	-	-	-	18,464	19,387	20,357	21,375	22,443
64 Repairs & Maintenance	\$ -	-	-	-	-	-	6,342	6,659	6,992	7,342	7,709
65 Supplies	\$ -	-	-	-	-	-	10,915	11,460	12,034	12,635	13,267
66 Personnel	\$ -	-	-	-	-	-	1,871,993	1,965,592	2,063,872	2,167,065	2,275,419
67 Fire/Police Training Tower											
68 Utilities	\$ -	-	4,410	4,700	4,935	5,185	5,444	5,716	6,002	6,302	6,618
69 Repairs & Maintenance	\$ -	-	3,500	4,000	4,200	4,410	4,631	4,862	5,105	5,360	5,628
70 Supplies	\$ -	-	4,000	4,500	4,725	4,965	5,213	5,474	5,748	6,035	6,337
71 New Engine - Fire Station 86											
72 Repairs & Maintenance	\$ -	-	-	-	25,000	26,250	27,563	28,941	30,388	31,907	33,502
73 Supplies	\$ -	-	-	-	12,000	12,600	13,230	13,892	14,586	15,315	16,081
74 Public Safety Communications											
75 Repairs & Maintenance	\$ -	-	34,735	36,472	38,296	40,210	42,221	44,332	46,549	48,876	51,320
76 Fire Station 88											
77 Utilities	\$ -	-	-	-	-	-	-	-	-	21,375	22,443
78 Repairs & Maintenance	\$ -	-	-	-	-	-	-	-	-	7,342	7,709
79 Supplies	\$ -	-	-	-	-	-	-	-	-	12,635	13,267
80 Personnel	\$ -	-	-	-	-	-	-	-	-	2,167,065	2,275,419
81 Total Operating Expenses	\$ 8,123,729	8,029,020	8,235,875	8,574,239	10,831,168	11,325,238	13,886,724	14,510,107	15,189,409	16,265,112	19,107,627
82 Estimated O&M Execution %	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%
83 Total Operating Expenses with Execution %	\$ 7,961,254	7,868,439	8,071,157	8,402,754	10,614,544	11,098,733	13,608,989	14,219,905	14,885,620	17,899,810	18,725,475

84	Transfers & Capital Outlay												
85	Transfer to Capital Acquisition Fund	\$ 292,367	297,000	297,000	197,000	201,925	206,973	212,147	217,451	222,887	228,460	234,171	
86	Fire District Contribution for Vehicles/Equipment Replac	\$ -	150,000	250,000	500,000	550,000	600,000	655,000	655,000	655,000	655,000	655,000	
87	Station Rehabilitation	\$ -	-	50,000	51,250	52,531	53,845	55,191	56,570	57,985	59,434	60,920	
88	Total Transfers & Capital Outlay	\$ 292,367	447,000	597,000	748,250	804,456	860,818	922,338	929,022	935,872	942,894	950,091	
89	TOTAL REVENUE REQUIREMENTS	\$ 8,253,621	\$ 8,315,439	\$ 8,668,157	\$ 9,151,004	\$ 11,419,000	\$ 11,959,551	\$ 14,531,327	\$ 15,148,927	\$ 15,821,493	\$ 18,842,704	\$ 19,675,566	

In each year of the projection period offsetting revenues from other revenue sources were deducted from the previously identified expenditure requirements and the statutory allowance for the 4% prepayment discount, 1.5% Tax Collector Expense were included to determine the annual assessment revenue requirements presented in the table below. The District Revenue Requirement Projections are presented in the table below:

PROJECTION OF NET REVENUE REQUIREMENT											
FIRE OPERATIONS EXPENDITURES (NON-EMS)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Personnel Services	\$ 5,928,791	5,926,854	5,975,078	6,361,881	6,648,738	6,950,367	7,267,691	7,601,703	7,953,472	8,324,150	8,714,979
Operating	\$ 2,032,463	1,941,586	2,096,080	2,040,873	3,965,806	4,148,367	6,341,298	6,618,202	6,932,148	9,575,659	10,010,496
OTHER NON-OPERATING EXPENDITURES											
Transfer to Capital Acquisition Fund	\$ 292,367	297,000	297,000	197,000	201,925	206,973	212,147	217,451	222,887	228,460	234,171
Fire District Contribution for Vehicles/Equipment Repl	\$ -	150,000	250,000	500,000	550,000	600,000	655,000	655,000	655,000	655,000	655,000
Station Rehabilitation	\$ -	-	50,000	51,250	52,531	53,845	55,191	56,570	57,985	59,434	60,920
Cost of Service for Fire Protection (COS)	\$ 8,253,621	8,315,439	8,668,157	9,151,004	11,419,000	11,959,551	14,531,327	15,148,927	15,821,493	18,842,704	19,675,566
LESS: Offsetting Revenue											
Insurance Prem Tax	\$ (285,709)	(302,850)	(302,850)	(302,850)	(302,850)	(302,850)	(302,850)	(302,850)	(302,850)	(302,850)	(302,850)
Other Licenses, Fees & PE	\$ (10,800)	(10,800)	(10,800)	(10,800)	(10,800)	(10,800)	(10,800)	(10,800)	(10,800)	(10,800)	(10,800)
Firefighters Supp Comp	\$ (33,120)	(36,240)	(36,240)	(36,240)	(36,240)	(36,240)	(36,240)	(36,240)	(36,240)	(36,240)	(36,240)
Delinquent Assessments	\$ (65,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)
Cost Recovery Income	\$ (500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)
City Wide Fee Schedule	\$ (17,000)	(16,500)	(16,500)	(16,500)	(16,500)	(16,500)	(16,500)	(16,500)	(16,500)	(16,500)	(16,500)
Misc Revenues	\$ (100)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)
Rental Income	\$ (28,076)	(26,280)	(26,280)	(26,280)	(26,280)	(26,280)	(26,280)	(26,280)	(26,280)	(26,280)	(26,280)
Other Physical Environ.	\$ (9,000)	-	-	-	-	-	-	-	-	-	-
Interest Earned on Unrestricted Funds	\$ (4,045)	(3,970)	(7,958)	(8,237)	(14,263)	(21,713)	(37,062)	(55,658)	(72,764)	(81,964)	(91,563)
Net Revenue Requirement (NRR) For Assessment	\$ 7,804,316	7,847,259	8,199,977	8,682,824	10,950,820	11,491,371	14,063,147	14,680,747	15,353,313	18,374,524	19,207,386

The results of the financial management plan show that after adoption of the initial Fire/Rescue Assessments, annual increases in Fire/Rescue Assessment revenue will be required to provide the necessary level of service to properties within the District. The entire Financial Plan Summary for the ten-year projection period is presented on the following page.



2.1.2 REVENUE SUFFICIENCY ANALYSIS RECOMMENDATIONS

The FY 2014 Net Revenue Requirement in the prior section of \$7,847,259 is slightly greater than the assessment revenue that was generated in FY 2013 of \$7,777,434. Based upon direction from District staff that the FY 2014 assessments should be revenue neutral compared to the FY 2013 assessments, we have determined that, although the NRR was used as the basis for calculation of the appropriate allocation of costs to Tier 1 and Tier 2, that allocation is applied to the revenue neutral revenue assumption of \$7,777,434 of assessment revenue in FY 2014.

Therefore, the recommended assessments for FY 2014 were developed to recover \$7,777,434, the revenue neutral revenue requirement when compared to the assessment revenue generated in FY 2013. We also recommend that in the adoption of the FY 2014 assessments, the District adopt a continuing assessment for future years that can increase up to 10% per year, with the actual annual adjustments to be determined by the District based upon need as determined by updating the financial management plan in subsequent years.

2.2 WORK ELEMENT 2 – COST APPORTIONMENT & ASSESSMENT RATE DESIGN

This section presents the results of the analysis conducted in this work element and our recommendations based upon those results.

2.2.1 ANALYSIS AND RESULTS

2.2.1.2 Exempt Properties

Certain parcel types are exempt by State statutes or case law from non-ad valorem assessments such as this Fire/Rescue Service Assessment. Other parcels are typically exempted from such assessments because they receive no benefit from Fire/Rescue Services, such as lake bottoms, marshes, etc. The exempted/excluded property types by Department of Revenue (DOR) Code are as follows:

DOR Code	DOR Description	Parcel Count
8000	VACANT GOVERNMENTAL	11
8100	GOVERNMENTAL - MILITARY	-
8200	GOVERNMENTAL - FOREST	22
8210	GOVERNMENTAL - PARKS	50
821X	GOVERNMENTAL - PARKS	-
8220	GOVERNMENTAL - RECREATIONAL AREA	2
8300	GOVERNMENTAL - PUBLIC SCHOOL (BOARD OF PUBLIC INST	7
8400	GOVERNMENTAL - COLLEGE (PUBLIC)	-
8500	GOVERNMENTAL - HOSPITAL (PUBLIC)	-
8600	GOV'T-CO(OTHER THAN SCHLS/COLEGS/HOSP)INC NON-MUN	1
8700	GOVERNMENTAL - STATE (OTHER THAN MILITARY,FOREST,P	1
8800	GOVERNMENTAL - FEDERAL (OTHER THAN MILITARY,FOREST	1
8900	GOVERNMENTAL - MUNICIPAL (OTHER THAN PARKS,REC ARE	9
890X	GOVERNMENTAL-MUNICIPAL (MIXED)	-
9000	MISCELLANEOUS- LEASEHOLD INTEREST (GOV OWNED LEASE	-
9016	SHOPPING CENTER RELATED LONG TERM LEASEHOLD	-
9039	LODGING RELATED LONG TERM LEASEHOLD	-
9042	INDUSTRIAL LONG TERM LEASEHOLD	-
9047	ROCK PLANT LONG TERM LEASEHOLD	-
9100	MISCELLANEOUS- UTILITY - GAS	1
9110	MISCELLANEOUS- UTILITY - ELECTRIC	6
9120	MISCELLANEOUS- UTILITY - TELEPHONE	8
9140	MISCELLANEOUS- UTILITY - RAILROAD/LOCALLY ASSESSED	-
9150	MISCELLANEOUS- UTILITY - WATER AND SEWER	11
9160	MISCELLANEOUS- UTILITY - CABLE TV SERVICE	-
9170	MISCELLANEOUS- UTILITY - RADIO/TELEVISION	-
9300	MISCELLANEOUS-SUBSURFACE RIGHTS	61
9400	MISCELLANEOUS- RIGHT-OF-WAY,STREETS,ROADS,IRR CANA	31
9500	MISCELLANEOUS- RIVERS AND LAKES	4
9600	MISCELLANEOUS- SOLID WASTE	1
960X	MISCELLANEOUS-SOLID WASTE - MIXED USE	-
9610	MISCELLANEOUS- BORROW PIT	-
9620	MISCELLANEOUS- DRAINAGE RESERVOIR	979
9630	MISCELLANEOUS-WASTE LAND	-
9640	MISCELLANEOUS- MARSHES/SWAMPS	-
9650	MISCELLANEOUS-SAND DUNES	-

2.2.1.3 Cost Apportionment

Apportionment to Benefit Cost Pools

Based upon the analysis in the previous section, the revenue requirement to be recovered in the Fire/Rescue Assessment in FY 2014 is \$7,777,434.

After determining this amount of revenue to be recovered in the Fire/Rescue Assessment, the first step was to apportion the FY 2014 revenue requirements to the Tier 1 Benefit Cost Pool (Response Readiness Availability Benefit) and the Tier 2 Benefit Cost Pool (Protection from Loss of Structures Benefit). As stated in Section 1 – Introduction, the District maintains the facilities, equipment and personnel necessary to provide 24 hour a day, seven days a week, year around fire protection service to all parcels in the District. This state of response readiness that benefits all properties is provided by Tier 1 Benefit Costs which are the fixed costs of the system that are not discretionary and that are not deployed in the actual response to calls. The fixed, non-discretionary costs of the District are the personnel costs that must be incurred independent of the number of calls for service (total personnel costs less the portion of personnel costs involved in actually responding to calls for service) plus lease payments and capital expenses. These Tier 1 Benefit Cost Pool costs represent approximately 70% of total Fire/Rescue costs as calculated on the following page⁵.

The Tier 2 Benefit Costs associated with protection of the loss of structures on property include all other costs that are not included in the Tier 1 - Response Readiness Availability Benefit cost pool and that are available for and historically used in the response to calls for service. These costs include the portion of personnel costs involved in responding to calls for service, plus other costs that are incurred relative to variable drivers, such as fuel, equipment maintenance, etc. These Tier 2 Benefit Cost Pool costs represent approximately 30% of total Fire/Rescue costs as calculated below.

⁵ The percentage calculated for Response Readiness Costs was rounded down to the nearest 5% increment, resulting in an allocation of 70% for the Tier 1 Response Readiness Benefit Cost Pool and 30% for the Tier 2 - Protection from Loss of Structures Benefit Cost Pool as shown in the table on the following page.

BENEFIT TIER ALLOCATION

<u>Total Man-Hours Spent on Calls for Service:</u>	
Total Man-Hours Spent on Calls for Service*	18,827
<u>Annual FTE Man-Hours:</u>	
Total Fire Department FTE	81
Annual Man-Hours per FTE (53 hrs/week x 52 weeks):	2,756
<hr/>	
Sub-Total Annual FTE Man-Hours:	223,236
<u>Percent Man-Hours Allocation:</u>	
% of Annual FTE Man-Hours Spent on Calls:	8.43%
% of Annual FTE Hours Spent on Response Readiness:	91.57%
<u>Personnel Expense Allocate to Response Readiness:</u>	
FY 2014 Personnel Expense (Non-EMS) \$	5,926,854
% of Personnel Expense - Response Readiness:	91.57%
<hr/>	
Net Personnel Expense - Response Readiness: \$	5,427,009
<u>Other Response Readiness Costs:</u>	
Fire District Contribution for Vehicles/Equipment Replacement \$	150,000
Transfer to Capital Acquisition Fund \$	297,000
<hr/>	
Total Other Expense - Response Readiness: \$	447,000
<hr/>	
Total Expense - Response Readiness: \$	5,874,009
<u>Percent Allocation of Net Revenue Requirements:</u>	
FY 2014 Net Revenue Requirement (NRR) \$	7,847,259
Response Readiness Costs as a % of NRR	74.85%
Tier 1 - Response Readiness Costs as a % of NRR rounded	70.0%
Tier 2 - Protection of Loss of Structure Value Costs as a % of NRR	30.0%

*CY2014 (projected) incident data with one-quarter hour adjustment for recovery time

Note: The Net Revenue Requirement above of \$7,847,259⁶ is slightly greater than the assessment revenue that was generated in FY 2013 of \$7,777,434. Based upon direction from District staff that the FY 2014 assessments should be revenue neutral compared to the FY 2013 assessments, we have used the NRR above to calculate the appropriate allocation of costs to Tier 1 and Tier 2, and we have applied that percentage allocation to the revenue neutral revenue assumption of \$7,777,434 of assessment revenue in FY 2014 as presented in the table below.

⁶ The NRR was calculated based upon the District budget for FY 2014 as presented in the table on page 14.

Apportionment of the total Fire/Rescue assessment revenue requirements based upon the above analysis is presented below:

FY 2014 REVENUE ALLOCATION

ASSESSMENT REVENUE		
REVEUE NEUTRAL REVENUE REQUIREMENT	\$	7,777,434
TIER 1 ALLOCATION:	\$	5,444,204 70.0%
TIER 2 ALLOCATION:	\$	2,333,230 30.0%

Apportionment of Benefit Cost Pools to Parcels

After apportioning the revenue requirement to Benefit Cost Pools the next step was to apportion the costs in each benefit cost pool to benefitting properties as follows:

1. Tier 1 - Response Readiness Availability Benefit Cost Pool

All parcels in the District benefit from the availability of fire protection service that the District provides on call, without discrimination as to property class, on a 24 hours a day, seven days a week, year around basis. These benefits include 1) availability of immediate response to fire, (2) first responder medical aid to protect the life and safety of occupants, 3) containment of liability for emergency incidents on the subject parcels and the spread of fires to other property, 4) enhanced property value, and 5) enhanced marketability of and/or ability to develop property. Although all parcels benefit from the availability of fire protection service, that benefit for vacant/unimproved parcels is greater for larger parcels than for smaller parcels. Therefore, larger vacant/unimproved parcels were converted to “parcel equivalents”, or equivalent benefit units (EBUs), based upon a minimum size per parcel equivalent. The minimum size per parcel equivalent was determined to be 5 acres based upon an evaluation of the range of size of developed parcels. Thus, it was determined that un-improved properties will be converted to EBU by rounding down the acreage of the parcel to the nearest 5 acres and dividing by 5 acres/EBU to determine the number of EBUs for the parcel. Therefore, it is appropriate to apportion the costs in this cost pool equally per parcel or EBU for improved and un-improved parcels respectively as calculated below.

TIER 1 ALLOCATION:	\$ 5,444,204
Rate Class Description	
# of Units	
Properties Assessed per Parcel:	Number of Parcels
Residential	26,454
Non-Residential	356
Institutional	53
Golf Courses	3
Total Parcels	26,866
Properties Assessed per EBU (EBU = 5 Acres):	Number of EBUs
Vacant/Agriculture	46,415
Total EBUs	46,415
TOTAL ASSESSABLE PARCELS/EBUS:	73,281
TIER 1 RATE PER PARCEL/EBU:	\$ 74.29

Tier 2 - Protection from the Loss of Structures Benefit Cost Pool

In addition to the benefits that improved properties realize from Tier 1 benefits, improved parcels also benefit from protection from the loss of the value of structures on the property due to fire by virtue of, a) the ability to obtain fire insurance and to obtain that insurance at attractive rates because of the availability of fire protection service, and b) protection from loss provided by the availability of fire suppression service provided by the District,

The actual value protected is the investment in the structures or the avoidance of the cost of replacing the structures on the property in the case of fire, either through insurance or by the availability of fire suppression services provided by the District. The actual investment or replacement cost of the structures on the parcels in the District is not readily available. However, the structure values in the Property Appraiser’s data base are readily available and they are the best data that is reasonably available as a surrogate representation of the relative investment or replacement cost value of structures for each parcel in the District as compared to the investment or replacement cost value of structures on other parcels in the District. Therefore, it is appropriate to apportion the costs in this cost pool based upon the relative value of structures on improved parcels as contained in the Property Appraiser’s data base.

However, because structure value is not a precise, dollar for dollar surrogate for the investment or replacement cost of structures on parcels in the District, this benefit of protection from the loss of structures does not materially increase with every dollar of increase in structure value. Rather, it increases over a larger order of magnitude of increases in structure value. Therefore, we have determined that a reasonable Equivalent Benefit Unit (EBU) for this benefit cost pool that recognizes the relative value of structures on parcels as a surrogate for investment or replacement cost of those structures is \$5,000 increments of structure value (rounded down to the nearest \$5,000), which results in a Tier 2 rate per EBU as calculated in the table below.

TIER 2 ALLOCATION:	\$ 2,333,230
TOTAL APPLICABLE STRUCTURE EBU's:	488,091
TIER 2 RATE PER STRUCTURE EBU:	\$ 4.78

*EBU is Equivalent Benefit Unit, representing each property's Structure Value rounded down to the nearest \$5,000, divided by 5,000. For example, if a parcel has a structure value of \$89,156, it is rounded down to \$85,000; then divided by 5,000 for 17 EBUs. 17 EBUs multiplied by the rate of \$4.78 will result in a Tier 2 - Structure/Loss Assessment for the sample parcel of \$81.26. Addition of the Tier 1 assessment per parcel of \$74.29 would result in a total annual assessment for the sample parcel of \$155.55.

2.2.2 COST APPORTIONMENT & ASSESSMENT RATE DESIGN RECOMMENDATIONS

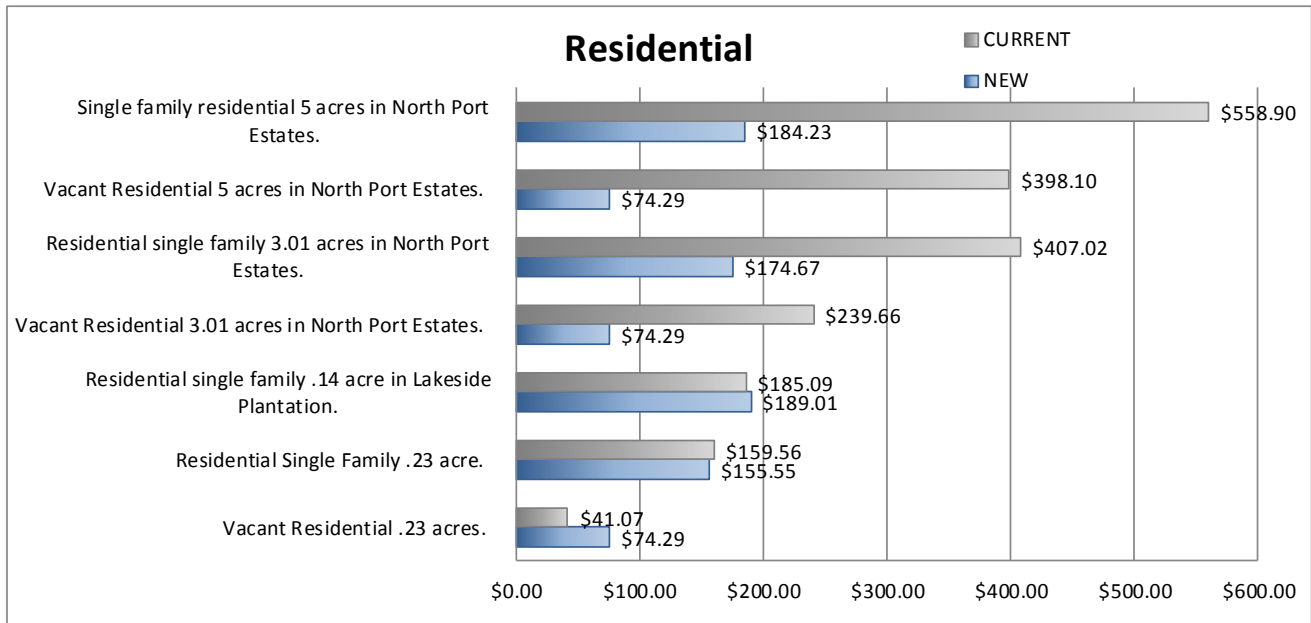
We recommend that 1) the FY 2014 Fire Assessments be developed based upon the cost apportionment methodology described herein, and 2) the assessment rates be adopted that were developed based upon this cost apportionment methodology and the assessment rate structure described in the prior sub-section. Based upon the foregoing, the recommended FY 2014 Fire/Rescue Assessment rates are presented in the following table.

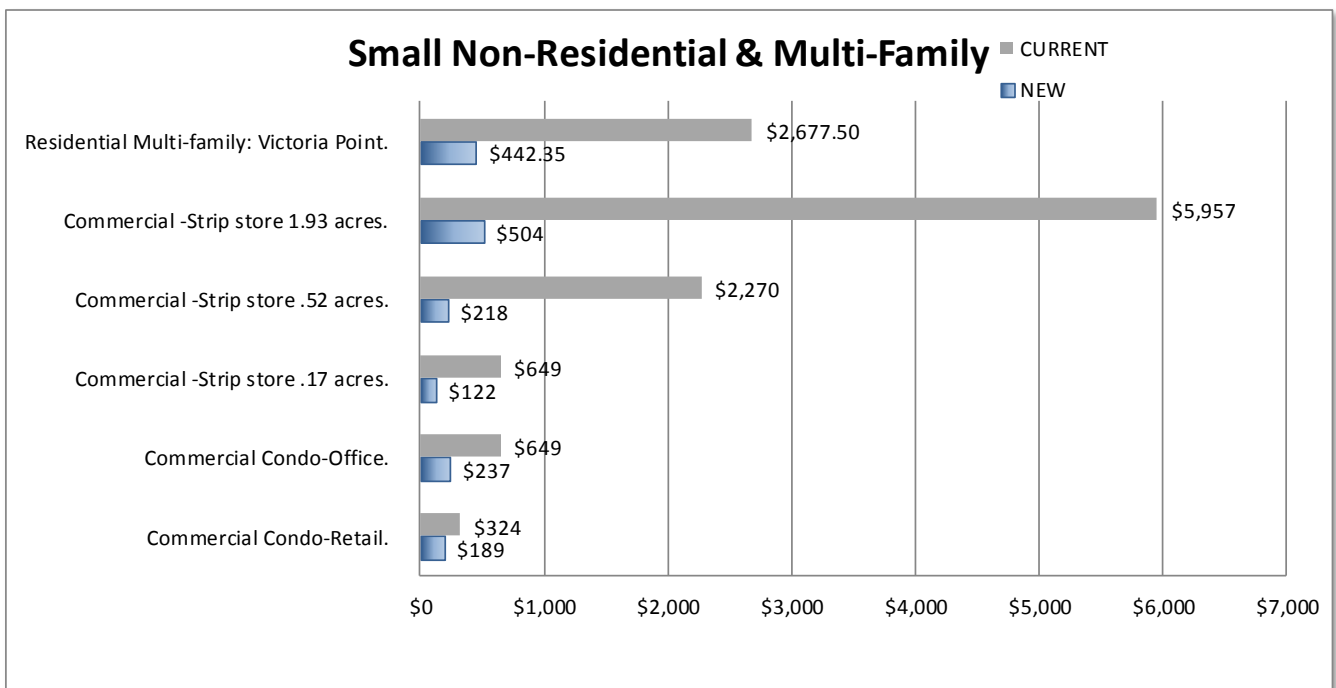
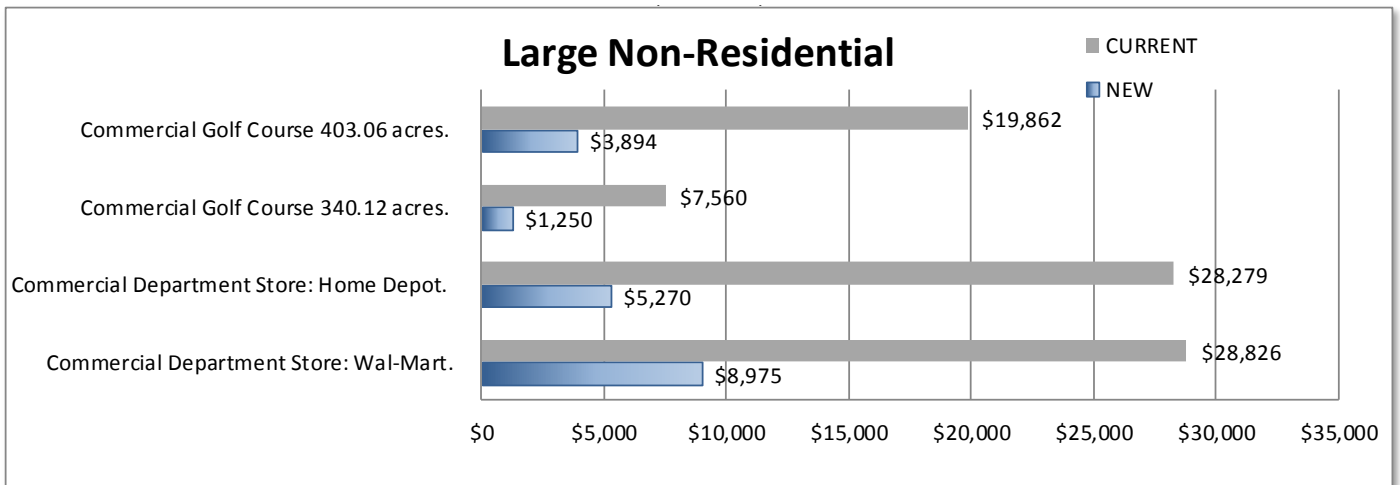
PROPERTY TYPE	Response Readiness Rate per Parcel		Structure/Loss Rate per EBU*	
Improved Parcels				
Residential	\$	74.29	\$	4.78
Non-Residential	\$	74.29	\$	4.78
Un-Improved Parcels				
Vacant/Agriculture	\$	74.29	\$	-

*EBU is the Tier 2 Equivalent Benefit Unit, representing \$5,000 of structure value. For instance, the total assessment for a single family home with structure value of \$89,156 (which is the average structure value on single family improved parcels) would be calculated to be \$155.55 as follows: Tier 1 - Response Readiness: Rate per Parcel of \$74.29 plus Tier 2 – Structure Value: calculated as \$81.26 ($\$85,000/\$5,000 = 17$ EBUs times \$4.78 per EBU).

2.2.3 PROPERTY IMPACT ANALYSIS

Based upon the above referenced recommended assessment rates the following table presents a summary of the impact for representative types of parcels:





SECTION 3. FINDING OF BENEFITS SUMMARY

A properly developed cost apportionment methodology for Fire/Rescue assessments will result in assessments that are proportional to the special benefit received from fire protection service provided by the District. Based upon the foregoing analysis and discussion presented in this report, we present the following summary of the finding of benefits:

Tier 1 Benefit - Response Readiness Availability of Service – Every parcel, or parcel equivalent, receives the benefit of the availability of the fire protection service provided by the District, without discrimination relative to location or property class on a 24 hour a day, seven days a week, year round basis. Those benefits include the following:

- Availability of immediate response to fire,
- First responder medical aid to protect the life and safety of occupants,
- Containment of liability for emergency incidents on the subject parcels and the spread of fires to other property,
- Enhanced property value, and
- Enhanced marketability of and/or ability to develop property.

Tier 2 Benefit - Protection from Loss of the Value of Structures – All improved properties with structures on them receive an additional benefit of protection from the loss of those structures due to fire as follows:

- Maintenance of Minimum Cost of Insurance – By providing a favorable ISO rating, the District provides the property owner with the ability to obtain fire insurance at favorable rates.
- Benefit if Not Insured - If not insured, properties owners have the assurance that they are protected from actual economic loss of structures on their property by the District's maintenance of fire protection resources that, if needed, can respond within reasonably short response times to provide substantial fire suppression to limit the amount of loss of structures that a fire could cause.

Furthermore:

Apportionment to Benefit Cost Pools - The annual revenue requirement for the Fire/Rescue Assessment is appropriately allocated 70% to Response Readiness Benefit (Tier 1) and 30% to

Protection from Loss of Structures Benefit (Tier 2) based upon the proportion of the revenue requirement associated with maintaining a response readiness condition versus responding to calls for service.

Apportionment of Benefit Cost Pools to Parcels

- Tier 1 - All parcels in the District, un-improved and improved, benefit equally per parcel, or parcel equivalent, from the Tier 1 - Response Readiness Availability Benefit. Therefore, the Tier 1 Benefit Cost Pool is appropriately apportioned equally to all parcels on a per parcel, or parcel equivalent, basis.
- Tier 2 - Improved parcels in the District benefit from the Tier 2 - Protection from Loss of Structures Benefit in proportion to the value of the structure(s) on the parcel relative to the value of the structures on other parcels in increments of \$5,000 of structure value. Therefore, the Tier 2 Benefit Cost Pool is appropriately apportioned to improved parcels in the District in proportion to the value of the structure(s) on the parcels in increments of \$5,000 dollars of structure value (rounded down to the nearest \$5,000)⁷.

A summary of benefits conferred by benefit tier cost pool includes:

- Tier 1 – Applies to all parcels, improved and un-improved. The special benefits provided to all parcels by the response readiness availability of Fire/Rescue Service provided by the District include:
 - Availability of immediate response to fire,
 - First responder medical aid to protect the life and safety of occupants,
 - Containment of liability for emergency incidents on the subject parcels and the spread of fires to other property,
 - Enhanced property value, and

⁷ Although an analysis of the response readiness resources that were historically deployed in response mode was used to apportion a part of the fire/rescue assessment revenue requirement to the Tier 2 cost pool, it is appropriate to use proportionate value of structures on improved parcels as the criteria to apportion the Tier 2 cost pool to specific parcels because: 1) the property classes to which calls for service responded are difficult to ascertain from the information on call records, 2) the distribution of calls to property classes varies from year to year, and most importantly 3) from the perspective of the property owners, the benefit of the revenue requirement included in the Tier 2 cost pool is the protection from the loss of structure(s) on their parcel that is conferred by the **availability** of fire protection service, whether or not any service is requested from any property class or individual parcel.

- Enhanced marketability of and/or ability to develop property.
- Tier 2 – Applies only to improved parcels. In addition to the special benefits that are conferred upon all parcels in the District by the Tier 1 response readiness availability benefit, the following additional benefits are conferred upon improved parcels:
 - Protection from the loss of the value of structures on the property due to fire by virtue of:
 - The ability to obtain fire insurance and to obtain that insurance at attractive rates because of the availability of fire protection service, and
 - Protection of loss provided by the availability of fire suppression service from the District to respond to a call and to suppress the fire.

SECTION 4. SUMMARY OF RECOMENDATIONS

4.1 REVENUE SUFFICIENCY ANALYSIS

Based upon the results of the analysis and the financial management plan presented herein, we recommend that the assessment rates presented in this section be adopted for FY 2014. We also recommend that in the adoption of the FY 2014 assessments, the District also adopt a continuing assessment for future years that can increase up to 5% per year, with the actual annual adjustments to be determined by the District Board based upon need as determined by updating the financial management plan in subsequent years⁸.

4.2 COST APPORTIONMENT AND ASSESSMENT RATE DESIGN

We recommend adoption of the FY 2014 Fire Assessment rates presented below that were developed based upon the cost apportionment methodology described herein.

PROPERTY TYPE	Response Readiness Rate per Parcel	Structure/Loss Rate per EBU*
Improved Parcels		
Residential	\$ 74.29	\$ 4.78
Non-Residential	\$ 74.29	\$ 4.78
Un-Improved Parcels		
Vacant/Agriculture	\$ 74.29	-

*EBU is the Tier 2 Equivalent Benefit Unit, representing \$5,000 of structure value. For instance, the total assessment for a single family home with structure value of \$89,156 (which is the average structure value on single family improved parcels) would be calculated to be \$155.55 as follows: Tier 1 - Response Readiness: Rate per Parcel of \$74.29 plus Tier 2 – Structure Value: calculated as \$81.26 ($\$85,000/\$5,000 = 17$ EBUs times \$4.78 per EBU).

⁸ Our analysis indicates that annual increases will be required to meet the District’s revenue requirements over the next ten years and beyond; therefore, adoption of an upper limit of a 10% per year increases will allow the District to react in the future to unforeseen circumstances, if needed, without having to go through the expensive process of updating the Study, sending first class mail notices and conducting another special hearing.

SECTION 5. LEGAL OPINION SUMMARY

Mr. Terry Lewis, of the law firm of Lewis, Longman & Walker, serves as a member of the City Attorney team. In that role, he provided legal counsel to Burton & Associates in the development of the recommended Fire/Rescue Assessment methodology and rates. Throughout the project we have consulted with Mr. Lewis regarding the assessment methodology used in this Study to ensure that it meets all legal requirements for a non-ad valorem assessment program. Mr. Lewis' responsibility was to counsel with our consulting team during the development of the proposed methodology and to review the methodology that is proposed herein to protect the District's interest by ensuring that the recommended assessment methodology is in compliance with all legal requirements for non-ad valorem assessments as contained in State statutes and case law.

Mr. Lewis' detailed legal opinion is presented in the Appendix. It is recommended that Mr. Lewis' detailed legal opinion be reviewed; however, he has provided the following summary statement for inclusion in this report:

“Based upon my discussions with the Burton & Associates consulting team regarding the proposed assessment methodology, and my review of this report, my opinion is that the proposed assessment methodology is in compliance with applicable State statutes and case law defining a legal non-ad valorem assessment.” Terry Lewis, Lewis, Longman & Walker

The entirety of Mr. Lewis' legal opinion is presented in the Appendix.

SECTION 6. ASSESSMENT ROLL

This section presents the Preliminary Fire/Rescue Assessment Roll.

6.1 PRELIMINARY FIRE/RESCUE ASSESSMENT ROLL

We developed a Preliminary Fire/Rescue Assessment Roll (Roll) of all parcels within the District that will receive a Fire/Rescue Assessment. This Roll includes specific information for each parcel, including the recommended FY 2014 Fire/Rescue Assessment. The Roll is being delivered to the District electronically.

SECTION 7. APPENDIX – LEGAL OPINION

Mr. Terry Lewis, of the law firm of Lewis, Longman & Walker, in his role as City Attorney, provided legal counsel to Burton & Associates in the development of the recommended Fire/Rescue Assessment methodology and rates. Mr. Lewis has provided a detailed legal opinion which is presented on the following pages of this Appendix.



Reply To: West Palm Beach

July 17, 2013

Mayor Linda Yates and Members of the City Commission and
North Port Fire Rescue District Board
City of North Port
4970 City Hall Boulevard
City of North Port, FL 34286

RE: North Port Fire Rescue District Fire Protection Service Assessment Opinion

Dear Mayor Yates:

The Firm of Lewis, Longman & Walker, P.A. has consulted with Burton & Associates in the development of a proposed non-ad valorem assessment (the fire protection assessment) which, if adopted, will fund one hundred (100%) percent of the North Port Fire Rescue District's (the "District") costs of providing fire protection services throughout the District for fiscal year 2013-2014 with adjustments for subsequent years. We have been asked to provide an opinion as to whether the assessment recommended by Burton & Associates may be legally imposed and collected by the District.

In order to provide the requested opinion, we have undertaken the following preliminary tasks:

1. Consultation with Burton & Associates' assessment specialists and District staff in the development of an assessment methodology and program.
2. Review of the proposed Fire Assessment Study developed by Burton & Associates.
3. Legal research and review of applicable Florida Statutes and case law relating to the imposition and collection of non-ad valorem assessments.

Our opinion is based upon the following legal analysis:

A. General Background.

Non-ad valorem assessments are distinguishable from taxes (though both are mandatory) in that a legally valid assessment:

See Things Differently

BRADENTON
101 Riverfront Boulevard
Suite 620
Bradenton, Florida 34205

p | 941-708-4040 • f | 941-708-4024

00224200-1

JACKSONVILLE
245 Riverside Avenue
Suite 150
Jacksonville, Florida 32202

p | 904-353-6410 • f | 904-353-7619

TALLAHASSEE
315 South Calhoun Street
Suite 830
Tallahassee, Florida 32301

p | 850-222-5702 • f | 850-224-9242

WEST PALM BEACH
515 North Flagler Drive
Suite 1500
West Palm Beach, Florida 33401

p | 561-640-0820 • f | 561-640-8202

[M]ust confer a specific benefit on the land burdened by the assessment;
and

.....

It is imposed upon the theory that that portion of the community which is required to bear it, receives some special or peculiar benefit in the enhancement of value of the property against which it is imposed as a result of the improvement made with the proceeds of the special assessment.

City of Boca Raton v. State, 595 So. 2d 25, 29 (Fla. 1992); Collier County v. State, 733 So. 2d 1012, 1016, 1017 (Fla. 1999).

It is well settled that counties, cities and special districts are generally authorized to impose and collect non-ad valorem assessments by ordinance as a result of their constitutional grant of home rule power or statutory authority. Id. at 30. Art. VIII §1, Fla. Const.; §125.01(1), Fl. Stat.

Since at least 1969, fire protection service non-ad valorem assessments levied by local governments have been regarded as valid non-ad valorem assessments by the Florida Supreme Court. Fire District No. 1 of Polk County v. Jenkins, 221 So. 2d 740 (Fla. 1969); South Trail Fire Control District, Sarasota County v. State, 273 So. 2d 380 (Fla. 1973). As recently as 1997 and 2002, the Supreme Court has validated fire rescue services financed by non-ad valorem assessments for the entire unincorporated area of Lake County and the cities of Minneola, Lady Lake and North Lauderdale. Lake County v. Water Oak Management Corporation, 695 So. 2d 667, 668 (Fla. 1997). City of North Lauderdale v. SMM Properties, Inc., 825 So. 2d 343 (Fla. 2002). See also Desiderio Corporation v. City of Delray Beach, 39 So. 3d 487 (Fla. 4th DCA)

In order for such non-ad valorem assessments to be legally valid, they must pass a two-prong test. First, the assessment must provide a special benefit to the assessed property. Second, the assessment for services must be properly apportioned. Lake County at 669. The determination as to special benefit and proper apportionment are questions of fact for a legislative body (in this case the District Board), not the judiciary. The Supreme Court has stated that:

[t]he legislative determination as to the existence of special benefits and as to the apportionment of the cost of these benefits should be upheld unless the determination is arbitrary.

Sarasota County v. Sarasota Church of Christ, Inc., 667 So. 2d 180, 184 (Fla. 1995).

B. Special Benefit.

The Supreme Court has opined that the test of special benefit is:

[w]hether there is a logical relationship between the services provided and the benefit to real property.

(Cities omitted). Lake County v. Water Oak Management Corporation at 669.

In Lake County the court concluded that while fire protection services were generally available to the community at large, the most substantial benefit from these services were to owners of real property. Id. at 669. This finding is consistent with the earlier determination in South Trail Fire Control District, Sarasota County v. State. (The Supreme Court determined that fire protection benefited all property).

Based upon the foregoing, the District may determine that there is a logical relationship between the provision of fire protection services and benefit to real property. The legislative determination of such a relationship based upon the facts presented to the District Board satisfies the special benefit requirement imposed by the Supreme Court for the levy of a valid non-ad valorem assessment. The analysis that has been presented to the Board by Burton & Associates demonstrates that there is a logical relationship and that substantially all real property within the District receives special benefits from the provision of fire protection services in the form of service availability around-the-clock for fire protection for all real property within the District and additional protection of improvements to real property. These benefits include reduced insurance premiums, enhanced public health and safety, enhanced property value, marketability and developability, and better protection to tenants which should reflect higher rental charges for property.

C. Proper Apportionment.

A valid non-ad valorem assessment which provides a special benefit in the form of a service or capital improvement to benefited properties must also be:

[f]airly and reasonably apportioned upon the properties that receive the benefit.

City of Boca Raton v. State, 595 So. 2d at 29. Per Sarasota County, the determination of reasonableness of apportionment is a legislative determination left to the City Council and should be upheld unless the determination is arbitrary. Sarasota County at 184.

The Burton and Associates North Port Fire Rescue District Fiscal Year 2013 Non-Ad Valorem Assessment Methodology Report proposes an allocation of assessments among benefited properties in two tiers. Tier one would be levied on all non-exempt, benefited

properties within the district whether improved or unimproved. Assessments collected in tier one will account for approximately seventy (70%) percent of total assessments collected annually and are intended to pay for service availability/readiness fixed costs. These fixed costs include a network of fire stations, equipment and staff which the District maintains and operates on twenty-four hour/seven days a week basis for the benefit of both improved and unimproved property as confirmed by the Burton Report. Tier two is allocated only upon improved property, based primarily upon fire protection of improvements on a parcel.

Tier one assessments are levied on all non-exempt, benefited properties within the District (Improved and unimproved). Each improved parcel will be assessed \$74.29. Each unimproved parcel will be assessed \$74.29 per Equivalent Building Unit (EBU). Tier two assessments will only be assessed on improved property. Tier two will be assessed at a rate of \$4.78 for every \$5,000 of value of the improvement on the property as reported by the Sarasota County Property Appraiser.

Similar apportionment methodologies have previously been approved in bond validation proceedings in the Hernando County Circuit Court. City of Brooksville v. State of Florida, Case No. CA-12-2037 (Fla. 5th Cir. Ct. July 30, 2012). See also City of Boca Raton v. State.

D. Assessment Collection Procedures.

The District intends to utilize Section 197.3632, Florida Statutes, to impose and collect the referenced non-ad valorem assessments beginning in fiscal year 2013/2014. The referenced statute requires individual first-class mail notice to all property owners upon whom the non-ad valorem assessment is to be imposed and adoption of the assessment roll at a public hearing if:

1. The non-ad valorem assessment is levied for the first time;
2. The non-ad valorem assessment is increased beyond the maximum rate authorized by law or judicial decree at the time of initial imposition;
3. The local government's boundaries have changed, unless all newly affected property owners have provided written consent for such assessment to the local governing board; or
4. There is a change in the purpose for such assessment or in the use of the revenue generated by such assessment. § 197.3632(4)(a), Fla. Stat.

In a case rendered by the 4th District Court of Appeal, Atlantic Gulf Communities Corporation v. City of Port St. Lucie, 34 So. 2d 1208 (Fla. 4th DCA, 1999), the court determined that unless the notice to benefited property owners references the fact that the assessments will continue for multiple years and conceivably increase, any subsequent assessment or increase in assessment must honor the entire notice and public hearing process in Section 197.3632, Florida

Statutes. In Atlantic Gulf, the City clearly failed to provide such notice and attempted to collect stormwater assessments for multiple years and raise the assessments from time to time. Atlantic Gulf Communities Corporation v. City of Port St. Lucie, 734 So. 2d 1208 (Fla. 4th DCA 1999), rev. denied, 744 So.2d 453 (Fla. 1999).

In the matter of the proposed District assessment, the notices to individual property owners and the Burton & Associates' analysis disclose the fact that the assessment is to continue in perpetuity. Hence, the proposed notice of assessments to all landowners will fully comply with the requirements of the referenced case and Section 197.3632(4), Florida Statutes, for a valid multi-year assessment. Further, Section 197.3632(6), Florida Statutes, states:

- (6) If the non-ad valorem assessment is to be collected for a period of more than one year or is to be amortized over a number of years, the local governing board shall so specify and shall not be required to annually adopt the non-ad valorem assessment roll and shall not be required to provide individual notices to each taxpayer unless the provisions of subsection (4) apply.

Therefore, pursuant to the referenced statute, the notice and hearings specified by Section 197.3634(4)(b), Florida Statutes, will not be required in subsequent years so long as the assessment methodology or assessment rates are not modified.

E. Conclusions and Opinions

Based upon the foregoing the Firm is of the opinion that:

1. The District is authorized, pursuant to its Charter, a properly adopted city ordinance, and referenced case law to levy, impose and collect fire protection assessments to fund provision of fire protection services within the District.
2. The notice procedures employed by the District will provide all property owners with notice that the assessment will be collected for multiple years. Therefore, pursuant to Section 197.3632(6), Florida Statutes, the District may collect fire protection assessments for multiple years without the necessity of annually undertaking the individual notice and hearing procedures in Section 197.3632(4), Florida Statutes, unless the cap rate in its adopted resolution is modified in some manner.
3. The fire protection service to be provided by the District confers a special benefit upon all assessed real property within the District and the Burton & Associates methodology proposes a fair and reasonable apportionment of the assessment among benefited properties similar to apportionment

Linda Yates, Mayor
July 17, 2013
Page 6

methodologies previously employed by other local governments and approved by Florida courts.

In reliance upon the documents reviewed, statutory interpretation and case analysis, the Firm's general conclusion and opinion is that the fire protection assessment to be imposed by the District is consistent with the special benefit and reasonable apportionment requirements for a valid non-ad valorem assessment. Lake County v. Water Oak Management Corporation, 695 So. 2d 667 (Fla. 1997) Sarasota County v. Sarasota County Church of Christ, 667 So. 2d 180 (Fla. 1995).

Thank you for the opportunity to provide this opinion to the District.

Sincerely yours,

A handwritten signature in blue ink, appearing to read "Terry E. Lewis" with "For" written below it.

Terry E. Lewis

For the Firm of Lewis, Longman & Walker, P.A.

TEL/bas

c: John Lewis, City Manager
Robert K. Robinson, Esquire – City Attorney, Nelson, Hesse, LLP
Mr. Michael E. Burton – Burton & Associates