



City of Delray Beach, FL

Fire Protection Assessment
Study

Presentation of Preliminary
Results

December 11, 2018





Agenda

1. Introduction
2. Fire Assessment Background
3. Methodology Discussion
4. Assessment Calculation
5. Property Impact Examples
6. Next Steps and Discussion

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Introduction & Background

Introduction to Stantec

- **The City of Delray Beach has retained Stantec to perform a Fire Protection Assessment Study**
 - Our firm (previously known as Burton & Associates) has served municipal clients in Florida for over 30 years
 - We provide a variety of Financial Consulting Services including but not limited to:
 - General Fund Financial Sustainability Analysis
 - Non-Ad Valorem Assessment Fee design and management
 - Utility rate design and revenue sufficiency studies
 - Impact Fee Studies
 - Bond/Debt Issuance Support
 - Successfully implemented, updated or consulted on over two dozen Fire Assessments throughout the State

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Project Team

Mike Burton

Principal

Years of Experience: 30+



Erick van Malssen

Managing Consultant

Years of Experience: 14



Peter Napoli

Consultant

Years of Experience: 4

Fire Assessment Background

- **What is a Fire Assessment?**
 - Fire Assessments are Non-Ad Valorem Fees used to directly fund Municipal Fire Protection Services
 - By State law, very few municipal services may have a Non-Ad Valorem direct funding mechanism. Examples include:
 - Fire Protection
 - Solid Waste
 - Stormwater
 - Utility Capital Projects
 - Any revenues raised through a Non-Ad Valorem Assessment must be used for the service and not distributed as a general revenue source

Fire Assessment Background

- **What is a Fire Assessment?**

- Non-Ad Valorem Assessments are billed through annual property tax bills to all property owners that benefit from the service
 - Requires cooperation between the City, Property Appraiser and Tax Collector
- The City currently funds Fire Protection Services through Ad Valorem taxes and other General Fund Revenues
- A Fire Special Assessment could provide direct cash flows for the full cost of service, or costs and/or projects that are currently unfunded
- Alternatively, direct funding of Fire Protection Services through a Non-Ad Valorem Assessment could relieve the General Fund, allowing available revenues to fund other services or projects

Fire Assessment Background

- **What is a Fire Assessment?**

- Non-Ad Valorem Assessments are billed through annual property tax bills to all property owners that benefit from the service
 - Requires cooperation between the City, Property Appraiser and Tax Collector
- The City currently funds Fire Protection Services through Ad Valorem taxes and other General Fund Revenues
- An Assessment could provide direct cash flows for the full cost of fire protection services within the City, or specifically fund a certain component of the service such as:
 - Personnel and/or Operating Costs
 - Capital Projects
 - Vehicle Replacement Costs
 - Debt Service for Fire Related Costs
 - Unfunded costs or projects

Fire Assessment Background

- **Legal Requirements for all Non-Ad Valorem Assessments**
 - The Fee calculation must follow the “two pronged test”
 1. The property assessed must derive a special benefit from the service provided
 - i.e. property such as rights-of-way, submerged lands, etc. would be excluded from a Fire Assessment
 2. The Assessment must be fairly and reasonably apportioned among the properties that receive the special benefit
 - Addressed by the fee calculation methodology

Fire Assessment Background

- **Legal Requirements for all Non-Ad Valorem Assessments**
 - Assessed properties must be within the City Limits or Service Area
 - Costs for EMS, ALS & Personal Transport must be removed from the calculation
 - Non Ad Valorem Assessments must derive from a benefit to property, not people
 - Per case law, EMS services benefit people, not property
 - Required Exemptions:
 - Governmental & Vacant Agricultural Properties
 - Optional Local Exemptions:
 - Churches, Non-Profits & Charitable Organizations

Fire Assessment Background

- **How Does it Work?**
 - If the City wishes to consider adoption, the following would need to be decided upon:
 - Methodology
 - Amount of costs to be funded/revenue raised
 - Limited to the full cost of Fire Protection service, with EMS costs excluded
 - Maximum projected rates for future cost increases
 - The bills would be applied to the annual tax bills to all affected property owners
 - Renters and Tenants would not receive a bill, only the owner of the property
 - First possible year for consideration: FY 2019-20 (FY 2020)

Fire Assessment Background

- **The Assessment Adoption Process**
 - Resolution of Intent
 - First step to set the process in motion
(Under consideration tonight)
 - Non Binding Resolution that provides the Property Appraiser and Tax Collector notice that the City is considering using the uniform method/tax bills to potentially assess properties
 - Does not commit the City to adopt the assessment
 - Passage of the Resolution only sets the process in motion, the City still must consider and pass the actual assessment separately

Fire Assessment Background

- **The Assessment Adoption Process**
 - If the City ultimately chooses to proceed with the adoption process
 - Two Public Hearings Required for Adoption:
 - Initial Resolution Adoption
 - Sets the Maximum Potential Rates to be advertised
 - Sets the Date, Place and Time of Final Hearing
 - Final Resolution Adoption – Formally adopts the Assessment
 - 20-days prior to Final Resolution Hearing
 - First Class mailed notices to all affected property owners
 - States date, time and place of Final hearing
 - Displays Proposed Maximum Assessment for specific property
 - September 15, 2019 deadline for adoption to submit final assessment roll to tax collector for FY 2020 tax bills

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Methodology Discussion

Calls for Service Methodology

- Most common and widely used Fire Protection Assessment Methodology in Florida
- Generally Upheld by the Florida Court System
- Allocates costs of Fire Protection Service to property classes based upon the historical demand for services, by property class
 - Informed by actual City call/incident data provided by the Fire Department
- Assessment rates are calculated by Property Class:
 - Residential properties assessed per Dwelling Unit
 - Non-Residential properties assessed by the square footage of developed structures
 - Commercial
 - Industrial/Warehouse
 - Governmental/Institutional
 - Vacant properties may be assessed per parcel

Calls for Service Methodology

- **Call Incident Data Analysis:**
 - 3-Years of Data from Jan 1, 2015 – Dec 30, 2017
 - National Fire Incident Reporting System (NFIRS) Data compiled by the City's Fire Department
 - The analysis includes only Fire or First Responder calls to real property
 - EMS, ALS and Transport calls are excluded
 - Calls to non-real property (i.e. vehicle accidents, beaches) are excluded
- Call/Incident Allocation Results
 - Residential – 63.7%
 - Commercial – 25.2%
 - Industrial/Warehouse – 1.0%
 - Government/Institutional – 8.5%
 - Vacant Properties – 1.5%

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Assessment Calculation

Assessment Calculation

- Calculations presented herein are preliminary in nature
 - Subject to minor refinements
 - Currently based upon FY 2019 Adopted Budget, would be replaced by preliminary FY 2020 when available
 - Based upon current property data, would be updated before final calculations and adoption procedures
- Per Discussions with City Management, we have identified potential unfunded costs to be included in the assessment program
- Results in a first-year revenue target of approximately \$4,000,000

Unfunded Budget Initiatives	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
New Firefighters	\$401,044	\$429,117	\$459,155	\$491,296	\$525,687
Increase in Existing Pension Costs	\$340,464	\$364,296	\$389,797	\$417,083	\$446,279
Additional Pension Burden	\$502,051	\$537,195	\$574,799	\$615,034	\$658,087
Vehicle Replacement Program	\$750,000	\$772,500	\$795,675	\$819,545	\$844,132
Station Rehab/Replacement	\$2,000,000	\$2,060,000	\$2,121,800	\$2,185,454	\$2,251,018
Net Collected Revenue Target	\$3,993,559	\$4,163,108	\$4,341,226	\$4,528,413	\$4,725,202
<i>Annual Expense % Growth:</i>		4.2%	4.3%	4.3%	4.3%

Assessment Calculation

Assessment Class	Calls for Service Allocation %	Allocated Costs	
Residential	63.72%	\$	2,992,758
Commercial	25.18%	\$	1,182,523
Industrial / Warehouse	1.03%	\$	48,345
Government / Institutional	8.54%	\$	401,337
Vacant	1.54%	\$	72,133
Total Fire Protection Net Revenue Requirement		\$	4,697,095
Less: Exemptions		\$	(300,697)
Total Billed Fire Assessment		\$	4,396,398
Less: Property Appraiser's Expense	2.00%	\$	(88,000)
Less: Tax Collector's Expense	2.00%	\$	(88,000)
Less: Statutory Discount	4.00%	\$	(176,000)
Less: Contingency	1.00%	\$	(44,000)
Estimated Net Collected Revenue (rounded)		\$	4,000,000

Assessment Calculation

Assessment Class	Allocated Costs	Allocated Units	FY 2020 Fire Protection Assessment	Unit Type
Residential	\$ 2,992,758	37,004	\$ 80.88	per Dwelling Unit
Commercial	\$ 1,182,523	100,444	\$ 11.77	per 100 Sq Ft
Industrial / Warehouse	\$ 48,345	39,828	\$ 1.21	per 100 Sq Ft
Government / Institutional	\$ 401,337	44,000	\$ 9.12	per 100 Sq Ft
Vacant	\$ 72,133	1,206	\$ 59.81	per Parcel

Property Impact Examples

Parcel Type	Type	Units	Assessment Rate per Unit	FY 2020 Assessment
Single Family Home	Dwelling Unit	1	\$ 80.88	\$ 80.88
Condominium Unit	Dwelling Unit	1	\$ 80.88	\$ 80.88
Mobile Home	Dwelling Unit	1	\$ 80.88	\$ 80.88
Small Apartment Complex (12 Units)	Dwelling Unit	12	\$ 80.88	\$ 970.56
Large Apartment Complex (117 Units)	Dwelling Unit	117	\$ 80.88	\$ 9,462.96
Office/1-Story Single Tenant	per 100 Sq Ft	34	\$ 11.77	\$ 400.18
Restaurant	per 100 Sq Ft	43	\$ 11.77	\$ 506.11
Retail/Office	per 100 Sq Ft	59	\$ 11.77	\$ 694.43
Shopping Center	per 100 Sq Ft	1,039	\$ 11.77	\$ 12,229.03
Light Manufacturing	per 100 Sq Ft	228	\$ 1.21	\$ 275.88
Warehouse	per 100 Sq Ft	236	\$ 1.21	\$ 285.56
Service Club	per 100 Sq Ft	112	\$ 9.12	\$ 1,021.44
Assisted Living Facility	per 100 Sq Ft	637	\$ 9.12	\$ 5,809.44
Church	per 100 Sq Ft	82	\$ 9.12	\$ 747.84
Vacant	per Parcel	1	\$ 59.81	\$ 59.81
Estimated Net Collected Revenue (rounded)			\$ 4,000,000	

Assessment Calculation

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<i>Annual Expense % Growth:</i>		4.2%	4.3%	4.3%	4.3%
<i>Recommended Not-to-Exceed Growth:</i>		5.0%	5.0%	5.0%	5.0%

Assessment Rates Escalated by 5% Annually

Residential	\$	80.88	\$	84.92	\$	89.17	\$	93.63	\$	98.31
Commercial	\$	11.77	\$	12.36	\$	12.98	\$	13.63	\$	14.31
Industrial / Warehouse	\$	1.21	\$	1.27	\$	1.33	\$	1.40	\$	1.47
Government / Institutional	\$	9.12	\$	9.58	\$	10.05	\$	10.56	\$	11.09
Vacant	\$	59.81	\$	62.80	\$	65.94	\$	69.24	\$	72.70

Assessment Calculation

- **Full and Partial Cost Recovery rate calculations:**

Fire Assessment Calculation		Cost Recovery %						
		100%	75%	50%	25%			
Allocated Costs	\$	29,030,256	\$	21,772,692	\$	14,515,128	\$	7,257,564
Less: Exemptions	\$	(1,856,533)	\$	(1,392,400)	\$	(928,266)	\$	(464,133)
Net Billed Revenues:	\$	27,173,723	\$	20,380,293	\$	13,586,862	\$	6,793,431
Less: Assessment Costs	\$	(2,445,000)	\$	(1,834,000)	\$	(1,223,000)	\$	(611,000)
Net Estimated Collected Revenues:	\$	24,729,000	\$	18,546,000	\$	12,364,000	\$	6,182,000
Residential Rate per Dwelling Unit	\$	499.86	\$	374.89	\$	249.93	\$	124.96
Commercial Rate per 100 Sq Ft	\$	72.76	\$	54.57	\$	36.38	\$	18.19
Industrial / Warehouse Rate per 100 Sq Ft	\$	7.50	\$	5.63	\$	3.75	\$	1.88
Government / Institutional Rate per 100 Sq Ft	\$	56.37	\$	42.28	\$	28.19	\$	14.09
Vacant Rate per Parcel	\$	369.67	\$	277.25	\$	184.83	\$	92.42

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Next Steps

Next Steps

- **Consider Resolution of Intent to proceed with Phase 2 of the Study**
 - Adoption of Resolution of Intent would allow for the potential adoption of the assessment program
 - Phase 2 would refine and finalize the analysis per direction of the Commission
 - Allow for further workshops to discuss and refine the potential assessment program and allow for public outreach
- Adoption Process:
 - Initial Resolution Adoption
 - Sets the Maximum Potential Rates to be advertised
 - Sets the Date, Place and Time of Final Hearing
 - Final Resolution Adoption – Formally adopts the Assessment
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Open Discussion and Live Modeling