

Fire Service Assessment FAQ's for FY 2020-21

Fire Service Assessment

Overview

The Panama City Commission is considering a tax equity tool – the Fire Service Assessment – to address severe budget shortfalls.

On September 14, 2020, at 8:00 a.m., the City Commission will hold a public hearing in the Bay County Commission Meeting Room located in the Bay County Government Complex, 840 West 11th St., Panama City, Florida 32401, Panama City, Florida, for the purpose of considering and/or receiving comments on the proposed Fire Service Assessment for FY 2020-21 (our next budget year, which begins October 1, 2020).

A copy of the published notice of the hearing can be found here:

<https://www.pcgov.org/DocumentCenter/View/5343/Fire-Assessment-Resolution---Published-Notice>

An example of the individually mailed notice of the hearing sent to all affected property owners, each with unique information about their affected parcel can be found here:

<https://www.pcgov.org/DocumentCenter/View/5342/Mailed-Notice-for-Proposed-Fire-Assessment>

A copy of the proposed amount of the Fire Service Assessment for each property can also be found at <http://quicksearch.ennead-data.com/pcfir>. You can look up all assessed properties by either (1) owner name, (2) property address, or (3) tax parcel identification number. Go ahead, try it out.

This annual special assessment or non-ad valorem assessment is referred to properly as the Fire Service Assessment, and it is expected to underwrite or pay for approximately 55% of the annual cost for our fire department capital and service availability.

How will the City's Fire Service Assessment be determined?

The Fire Service Assessment for each and every parcel of property is based on a benefits and burdens analysis. This special assessment concept has been shared by an experienced team of professional advisors and is being carefully considered by the staff and City Commission. You can review an insightful summary here: <https://www.pcgov.org/DocumentCenter/View/5311/City-of-Panama-City-Executive-Summary-Report>. The rates and charges involved are associated with the cost of making continually available fire protection services and facilities every day for all tax parcels within the City.

Here is how the rates and charges break down: Each parcel of property in the City assigned to an identification number by the County Property Appraiser is considered one (1) tax parcel. Upon annual approval by the City Commission after the public hearing, the rate of assessment for each tax parcel is not to exceed the sum of (i) (Tier 1 – for variable and fixed costs of making fire protection services and facilities available) a variable rate of \$1.52 per \$1,000 of the relative value of the improvements associated with the tax parcel (no land value); (ii) (Tier 2 – for more fixed costs of making fire protection services and facilities available) an \$176.62 equal rate for each tax parcel; and added to the subtotal of these two tiers for each parcel will be (iii) (a) a charge (\$10) to defray City notice, administrative and implementation costs associated with this annual assessment, (b) statutory charges imposed by the tax Collector (estimated as approximately 2%); plus (c) adjustment (4%) to account for early-payment

statutory discounts involved with the uniform method of collection on the same bill as for taxes. The total revenue the City expects to collect by the Fire Service Assessment this year, exclusive of the nominal amounts and adjustments described in (iii) above, is estimated to be \$4,699,496.

How did the City determine the rates for the Fire Service Assessment?

The City is using what is called the Simplified Fire™ concept, which actually is two differing apportionment methods combined to create equity by diversity of approach. City staff and consultants were able to create a balance (discussed below) of sharing costs between the two distinct ‘simplified fire’ tiers that fit our City.

Now, a few cautionary notes: Within this region, the City’s consultants also have worked with the City of Springfield and the City of Panama City Beach for several years providing both initial and annual assistance in setting up their respective fire service assessments. The rates in all of these cities differ, not because one jurisdiction charges more or less using the same ‘simplified fire’ concept, but rather each city has a differing [1] *number and mix of parcels*, [2] *improvements thereon*, [3] *levels of service*, [4] *budgets, including sources and uses of revenue*, [5] *general funding availability*, and [5] *other circumstances*. Thus, as each community is unique, so will be its rates and approach for using each of the two tiers.

It is well-settled in Florida that local governments, should they impose an assessment, are not required to *fully* fund that service or improvement through the special assessment itself. Accordingly, the City Commission is able to determine, entirely in its own discretion, to fund some portion of the overall fire department cost with general fund or other legally available revenues. Likewise, either of the two assessment tiers for the proposed Fire Service Assessment can be funded at a rate independent of the other. For example, the City could impose an assessment for 75% of the costs attributable to Tier 1, but collect a lesser or greater percentage of the costs attributable to Tier 2. As a matter of policy or financial flexibility, the City Commission as the local legislative body may find it useful to levy an assessment for the identified core fixed costs in an amount *less* than the total assessable amount, supporting or offsetting the balance of the same costs through general revenues or other legally available means. The two-tiered methodology in Simplified Fire™ is also responsive to the need for political flexibility and readily accommodates policy determinations regarding the relevant variables for each tier within both the paradigm of legal sufficiency and common-sense local governance.

Only approximately 55% of our City’s fire department budget is proposed to be paid for by the Fire Service Assessment. The remaining portion the fire department budget will be paid by other legally available revenues, mostly ad valorem property taxes. So, the components of this “special” or “non-ad valorem” assessment along with other contributions from the City general fund creates even further equity in how the City funds our community’s fire department through reasoned diversity among three sources of annual revenues – some property taxes (covering about 45% of the fire department budget) and the two tiers of the Fire Service Assessment (together about 55% of the fire department budget).

This Simplified Fire™ concept has been repeatedly approved by circuit courts; and, even confirmed by Florida's Supreme Court, when other consultants who apparently made several thousands of errors testified their challenged 'copycat' version was 'almost exactly like' Simplified Fire™.

The rates for the two tiers of the City's Fire Service Assessment were designed to accomplish (or fairly spread using local staff insight) the amounts derived from the value of improvements on a parcel (\$1.52/\$1,000 of value (not land)), and the amounts derived per tax parcel (\$176.62) such that there was a balance between residential and non-residential properties, and so that the City could announce rates for notice purposes which could support approximately \$4.7 million or 55% of the Fire Department budget, as soon as possible earlier this Summer, to comply with applicable notice and procedural statute deadlines late this Summer.

In future years, these rates serve as the base for maximum rates. As well, the 'simplified fire' concept allows the City to adjust those rates independently of each other as a matter of discretion and business judgment within those maximum rates. In the event either of the rates for the two tiers are increased from year to year beyond the indexed maximum rates from a prior year, then the City Commission will be required by both statute and ordinance to send another individually mailed notice to every affected property owner in the future.

Fire Service Assessments are the Responsibility of the City Commission.

The use of data derived from the County property tax roll (both in form and content), which is a statutorily required and uniformly maintained database of all tax parcels employed by the Bay County Property Appraiser and Tax Collector, represents accurate, fair and efficiently maintained data which is standardized and carefully certified to the Florida Department of Revenue each year. This data reflects every parcel of real property in our City, and gives each parcel a unique 'tax parcel' identification number for each lot, condominium unit, or tract of land in the City and the Property Appraiser determines various required valuation for improvements and land. The City, in turn, uses this data in this 'simplified fire' approach as a means to allocate or distribute appropriate fire department costs associated with standing ready to provide fire protection and associated services and facilities.

Please understand that the Fire Service Assessments are imposed and levied by the Panama City Commission, not the County, or the Property Appraiser or Tax Collector. Any activity of the Property Appraiser or Tax Collector associated with the Fire Service Assessment process is solely ministerial as a matter of law. The patience, work, and responsibilities of these local Constitutional officials are greatly appreciated as they carry out their constitutional and general law duties; so please keep in mind that these local County officials have no policy responsibility with regard to the City's Fire Service Assessment or the method of apportionment, the fire protection budget, the annual rates imposed, or collection and enforcement procedures employed. The City just smartly uses the accurate data and services our local County officials are constantly producing.

Why is the City proposing to use a Fire Service Assessment; isn't the Fire Department already funded by property taxes?

First, please recall that generally our State Constitution reserves property taxes to cities and counties, and the State essentially uses sales taxes and other revenues for its purposes and shares some with local governments. In Florida the State Constitution, unlike many other states, prohibits an income tax.

Property taxes are limited to ten mills (a mil often explained as \$1 per thousand of just value) each, for cities and counties. Property taxes are also subject to a number of exemptions and reductions (e.g. Homestead, Save Our Homes, and more) that reduce overall the property tax revenues to the local governments (without any corresponding payment from the State). By the way, did you know a very large number of property owners in Panama City pay reduced or no property taxes at all because of these reductions or exemptions?

So, the Fire Service Assessment now presents a means to ask those property owners who pay no property taxes — but whose properties benefit from the fire department — to share in a part (not all) of the City's annual fire department costs.

Second, Hurricane Michael hurt the City and continues to do so in many ways, including reducing property values throughout the City — which essentially means the SAME millage generates LESS revenue. So, the City is already looking at raising millage on property taxes — just to get the same amount of revenue as in prior years. The advent of the Fire Service Assessment could mitigate the necessity for a large jump in millage rates.

Next, the City does obtain other revenues from the State and from a unique local 'merchant tax', but both sources essentially rely on sales of goods. Sales of goods which drive the amount of these sales tax revenues have dropped as a result of the COVID-19 pandemic and its negative economic impact on our community and the World. With a drop in sales of goods, revenues correspondingly drop also.

The hard truth is the City must continue to fund the fire department — 24/7, every day, all year and in any annual budget.

It is unquestioned in Florida law that availability of fire protection benefits real property. Budgeting to provide fire protection is a fundamental health, safety and welfare component obligation of our City. However, the City likely can no longer realistically rely on funding our fire department solely with property tax revenues or other general fund revenues. The overall demand on the general fund is too great. Instead, the City must look for ways to share at least some part of the fire department costs more equally amongst all properties in our City that benefit; and ask all property owners to share in funding a portion of the fire department. The proposed Fire Service Assessment provides the most equitable means of community self-help now available to the City Commission.

So, on June 30 when the Governor vetoed every local government appropriation from the 2020 Legislative Session (along with a few billion dollars of other appropriation bills passed by the Legislature) on the last day he could do so, and the State's inability by the end of July to timely give local governments revenue sharing projections for FY 20-21 so they could budget over the next month, it became apparent our City better look immediately for a self-help revenue option. The Fire Service Assessment is the most fair, efficient, robust, and effective alternative the City has determined is available. The other alternative is severe cuts in levels of service across the entire budget, which would likely be destructive and distasteful to our community as a whole.

Because the fire department budget is composed in large part of labor related costs, why not just trim the labor force, use less persons to do more work, or not be staffed full-time? Does our City even need a full-time fire department?

Well, that sounds plausible and simple, but let's do consider what drives staffing of our fire department first. Of import is that the City fire department is about readiness, 3 rotating 24 hour shifts -- every day of the year. A less than full time fire department is not realistically feasible. The City follows public safety and industry protocols in terms of responses and response times, and the fire department constantly is ready and available to respond. The number and array of fire department personnel is not excessive, and the capacity to be prepared is dictated by many things, including national insurance rating agencies who provide better ratings to communities who are compliant with appropriate staffing requirements reflected in the proposed budget. The risk of non-compliance with industry staffing standards involves economic (insurance rate increases City-wide for inadequate staffing, and the obvious commensurately higher risk of property damage) consequences and life and safety issues of understaffing a fire department. The cost-benefits of smart and industry standard staffing compliance simply outweigh non-compliance done to cut fire department staffing for budgeting purposes in a difficult circumstance.

However, City staff, management and the governing body always continues to scrutinize the fire department budget and look for better efficiencies and cost savings throughout the year and every budget cycle, and continually do recognize the need to also be vigilantly doing so in all City department budgeting.

Want to learn even more? Please consider the following as a means to be better informed about Fire Service Assessments, and the 'simplified fire' concept.

The constant and continued preparedness to provide fire protection services, facilities and programs (1) protects the value of the improvements and structures through the continual availability of fire control and provision of fire protection and associated rescue services; (2) protects the life and safety of intended occupants in the use and enjoyment of real property; (3) serves to lower the cost of casualty or liability insurance by the presence of fire protection and associated rescue services; (4) provides, in part, a safety net of protection for uninsured or underinsured property and property owners; and (5) serves to limit liability and contain the spread of fire incidents, sometimes occurring on vacant or undeveloped property, with the potential to spread and endanger the structures and occupants of nearby improved property.

The 'simplified fire' approach being embraced by the City acts to remove the underlying land values from consideration and reasonably focuses upon the built environment on real property protected by fire services, facilities and programs (Tier 1). But we have come to also understand that the mere availability of fire protection services and facilities also benefits each tax parcel of real property in the City in a substantially uniform fashion by relieving the common burden placed upon City services and facilities collectively created by individual tax parcels (Tier 2). Fundamentally, the presence of each tax parcel within the City creates a comparable and similar requirement to stand ready to serve and continually maintain a preparedness to provide fire protection and associated services and facilities for all tax parcels. Both Tiers recognize that costs occur whether a fire event occurs or not. Separately, and together the recognition of these relationships and circumstances present a direct and logically related means to share benefits, burdens and costs of fire protection services, facilities and programs among all property owners in our community.

Instead of recreating the wheel, the City will look back each year to carefully kept and always updated public data derived from the property tax roll prepared by the Property Appraiser which allows for the

recognition of the relatively higher benefit accruing to properties which face greater financial loss in the event of fire incident. This is a durable or 'evergreen' approach so that from year to year in accordance with market conditions and other factors such variation will be adjusted automatically in accordance with the updated improvement value effectively determined by the Property Appraiser. If the improvements on a given tax parcel were to increase or decrease in value with the passage of time relative to the updated improvement value city-wide, that tax parcel's relative percentage to the total amount assessed for that tax parcel and all tax parcels will also increase or decrease proportionately.

The Fire Service Assessment rates developed in the 'simplified fire' approach present a combined endeavor to achieve reasoned equity. They serve to share the constant cost of a community burden where the mere availability of fire protection services and facilities benefits each tax parcel of real property in the City in a substantially uniform fashion by relieving the common burden placed upon City services and facilities collectively created by individual tax parcels - whether a fire event occurs or not. Fundamentally, the presence of each tax parcel within the City creates a comparable and similar requirement to stand ready to serve and continually maintain a preparedness to provide fire protection and associated services and facilities for all tax parcels.

The Fire Service Assessment really is made up of two methods (Tier 1 and Tier 2) each equitable alone, but together creating further equity by diversity of cost sharing methods.

A detailed description of the assessment program is also available in the City's proposed Ordinance and Annual Assessment Resolution, on file with the City Clerk and available for public inspection. Please note that revenue from the Fire Service Assessment may be used only to fund the fire department, as required by law. However, because the City in the past had entirely funded fire protection services and facilities through its general fund, the assessment will greatly help to improve the City's financial health by taking some (not all) pressure off our City's general fund sources and helps to better position our City's finances and budget which would otherwise be vulnerable. Put frankly, our City realistically can no longer underwrite the entirety of our City fire department solely with general fund revenue, without distasteful millage increases in property taxes, or overall budget cuts elsewhere, or both. Our City Commission and our City is faced with a difficult self-help, or not, supplemental and alternative fiscal choice of using a Fire Service Assessment.

What happens in the case of a hardship circumstance; is there a deferral opportunity?

In some circumstances, less-fortunate property owners may qualify to defer payment based upon hardship circumstances. The proposed ordinance being considered to implement the Fire Service Assessment intentionally provides for a means to allow certain less fortunate property owners to seek a deferral. That process will involve completing and swearing to a factual intake application, verification, and likely an individual meeting and interview with staff or a special master. This is to be a careful and respectful process. It will be limited to individuals and homestead circumstances. The intake applications, and administrative criteria allowing deferment are expected to be developed during October. The City will then post this opportunity on its website; and, at that time also expects to reach out otherwise to share the availability of this opportunity with our community safety-net partners (e.g. faith-based and other organizations likely to know of difficult individual circumstances so those community stewards can learn and know the criteria and can help identify and alert those who might be in need who fit the limited circumstances envisioned, then possibly assist in informing of and encouraging when and how to come forward (to better assure the process is being shared with those in

need respectfully and to make sure folks who meet those limited circumstances are encouraged to consider deferral it that fits their circumstances). The method of collection the City is using for these Assessments conveniently will allow the City Commission to vest the City Manager or such person's designee with administrative authority to direct any Fire Service Assessment to be revised or recast later this Winter by the Tax Collector under the Florida Administrative Code; so, this process can go on through next March, if necessary. Upon application by a property owner, and if qualified, the City Manager or a designee will be able to administratively grant a hardship deferment; in which case the Fire Service Assessment can be deferred. The property owner will have to sign an agreement that the Fire Service Assessment, and any recording costs, plus interest, is to be paid over time or deferred until payment is made on sale or transfer of the subject property.

Please kindly be patient as the City develops this process further. This will allow our City Commission the time and discretion to direct staff by resolution how to administratively meet with persons in a trustworthy setting and treat City property owners in a good-natured manner with care and respect.

Thank you for reading and becoming better informed; Summary.

The City Commission and City officials are cognizant that any system, metric or analytical view of appraising benefits or assessing for fire protection costs will always be open to some criticism or suggestion of alternative methods or approaches. The City Commission, City officials and staff have worked to become informed as to the facts, analysis, law and policy latitudes available to our City in determining the proper costs to legally assess to pay for the fire department and a fair means to set the rate of the Fire Service Assessment. This is done in the process of dealing with what is always a difficult annual budgeting process which has become increasingly difficult this year. The cost of solid fire protection is 24/7 – it is expensive. The concept of 'simplified fire' sifts quickly through the rhetoric, and efficiently provides a tool and means for our City Commission, City officials and staff to: (1) serve and fairly fund essential public services and capital, in part, from all benefited property owners (some of which have not been asked to help pay part of this cost previously), (2) achieve lessened burdens on the general fund from our fire department, and (3) to allow the City Commission to work to be good financial stewards in difficult times. The use of a Fire Service Assessment and the 'simplified fire' approach presents an efficient and repeatable path for our City and this community to use reliable data every year to legally and fairly share burdens many of us take for granted, and ALL us benefit from every day.

Thank you for taking the time to review this information. If you have comments about the Fire Service Assessment, you may e-mail [***FireAssessment@pcgov.org***](mailto:FireAssessment@pcgov.org).