

Fire Services Assessment 101

Frequently Asked Questions about the City's Fire Services Assessment

Question: What is a Fire Services Assessment?

Answer: A fire services assessment is an alternative financing method to pay for the cost of fire services in a municipality.

Question: Do other Florida cities have a fire services assessment?

Answer: Yes, many other Florida cities have a fire services assessment.

Question: Why does Cape Coral need a Fire Services Assessment?

Answer: The fire assessment is another alternative revenue source to help the City achieve economic sustainability. The assessment also provides a fairer way to assess the costs of fire services across all properties.

Question: How does the fire assessment help the City with revenue diversification?

Answer: The fire assessment funds that portion of the City's Fire Department budget related to fire services. The entire Fire Department budget currently is in the City's General Fund and funded through property taxes. By pulling these specific costs from the General Fund and establishing a dedicated revenue source to pay for these services, the City is able to free up that same amount of dollars within in the General Fund for other uses.

Question: Can the City use the revenue from the Fire Services Assessment for expenses other than fire services?

Answer: No. These funds must be used for the fire services.

Question: Does the City have to use the dollars in the General Fund freed up by the fire assessment for capital or other General fund expenditures?

Answer: The City has several options. Some of the dollars made available in the General Fund can go toward other capital needs (equipment, facilities, etc.). City Council also can choose to provide property tax reductions to the taxpayer as well. This is what City Council chose to do when they decreased the millage rate by .25 mils for the FY 2014 budget. Council also intends to decrease the millage rate by another .75 mils in the FY 2015 budget.

Question: Why not just raise the millage rate and forget about these additional revenue sources?

Answer: The City of Cape Coral has long-relied on property taxes to fund the General operations of the city. The fluctuating property values and the legislative restrictions on municipalities regarding property taxes have placed a financial vise on the City's budget, and after seven years of squeezing and reducing and delaying, there is not much left to wring out of our operations.

Also, the state of Florida has a statutory limit of 10 mills on the property tax rate. The City already was at 7.9570 mills before the rate reduction this year. We would have to raise the millage beyond the max to bring in the amount of dollars to properly fund the capital needs of our city. Choosing to operate at the maximum millage is not the financially prudent way to manage a city especially when other revenue sources are available. Credit rating agencies do not look favorably on municipalities that operate at the maximum millage.

Question: How much will the Fire Services Assessment cost?

Answer: City Council approved a reduced percentage of 38 percent for the first year of the assessment. There are two tiers to the fire assessment. The Tier 1 is a flat rate of \$62.02 and applies to all properties regardless of size or development status. The Tier 2 rate is \$1.42 per Equivalent Benefit Unit (EBU). The second tier applies only to developed parcels and is based on the "building cost value" plus the value of any "building extra features."

Please go to the last page of this Q&A to see how to find and calculate the fire services assessment.

Question: Why use "Building Cost Value" and not "taxable" value to calculate the assessment?

Answer: The fire services assessment is based on the financial impact from a fire. Taxable value is a method for establishing property taxes and excludes significant amounts of property value from taxation. While that may be fine for levying property taxes, the taxable value does not come close to the cost to replace a structure should it be consumed by fire.

Question: Will this be the same amount every year?

Answer: No. The City Council may increase the fire assessment to the original publicly noticed amount (in July 2013) for FY 2015 in conjunction with the additional .75 millage rate reduction.

Question: How will the City collect the fire services assessment?

Answer: For this first year, the City will mail bills to all property owners following the successful bond validation. For FY 2015, the assessment will be collected on the property tax bill in the same way the City currently collects the stormwater fee, the solid waste fee and lot mowing fees.

Question: Is the Fire Services Assessment tax-deductible?

Answer: Property owners may wish to review and discuss with their tax advisors IRS Publication 17, which provides guidance for individual filers. Chapter 22 includes a discussion of items that generally cannot be deducted, and the "Exception" section suggests certain types of assessments, including assessments to fund services such as fire services, may be deductible in some cases. Assessments imposed against commercial properties may be deductible as a business expense. The City does not

give tax advice to its constituents, and property owners should consult with their tax advisors on deductibility of assessments.

Question: Why did Cape Coral choose the “ready to serve” methodology instead of the “calls for service?”

Answer: The “ready to serve” methodology brings the vacant properties into the equation. In a city like Cape Coral, with thousands of vacant parcels, a “calls for service” methodology would place the greater financial burden of a fire services assessment on the developed properties. We did not think that was fair to our residents. “Ready to serve” is far more equitable for our residents from the City’s viewpoint.

Question: Why did the City go through a bond validation process with the District Court?

Answer: A bond validation is a proactive, legal process that ensures the funds being used to pay for a bond issue are valid. In this case, the City issued a \$1.5 million bond for the purchase of fire equipment and pledged the fire service assessment revenues toward paying the debt. The District Court upheld the City’s fire assessment and the methodology for calculating the assessment. A small group of residents is appealing the decision, which goes directly to the Florida Supreme Court. A bond validation appeal is an expedited appeal with the Supreme Court, and a decision could come later this summer.

Question: What if the bond validation is not successful? What are the City’s options? Will there still be a fire services assessment?

Answer: While we expect the bond validation to be successful, if our “ready to serve” methodology is not successful due to some intervening variable, the city manager will bring the “calls for service” methodology forward for approval. This methodology is being used by the majority of cities in the state of Florida, and as such, would not require any bond validation process. Unfortunately, this methodology most likely will alter the financial balance achieved through “ready to serve” and increase the cost to the residents.

How to Find and Calculate Your Fire Services Assessment

The Tier 1 cost is \$62.02 per parcel (regardless of parcel size).

Tier 2 rate is \$1.42 per Equivalent Benefit Unit (EBU). The second tier applies only to developed parcels and is based on the "building cost value" plus the value of any "building extra features."

These values are found on the Lee County Property Appraiser site using the real property search feature. To go directly to the search page, use this link:

www.leepa.org/Search/PropertySearch.aspx.

Go to the LeePA link above and search for your property. Click on "Parcel Details."
Then click on this icon in the
"Property Values (2013 Tax Roll)" or "Property Values (2013 Trim)" section
(label will depend on month you check)



Go to the bottom right corner of the detailed property information, and look for the two categories highlighted in the box below:

VALUE SUMMARY	2013	2012
BUILDING COST VALUE	109,078	103,502
BUILDING EXTRA FEATURES	17,854	17,854
LAND EXTRA FEATURES	1,108	822
LAND VALUE	7,800	7,270
COST APPROACH VALUE	135,563	129,448
INCOME APPROACH VALUE	*	*
SALES APPROACH VALUE	103,897	98,101
MARKET VALUE	103,897	98,101

Add these two values together. In this example = \$126,932 (\$109,078 + \$17,854)
Round down the total amount to the nearest \$5,000. In this example = \$125,000

Divide rounded amount (\$125,000) by \$5,000 to get "EBU" units. In this example = 25

Multiply the EBU units by \$1.42. In this example = \$35.50 (\$1.42 x 25)

Add Tier 1 + Tier 2 for total assessment. In this example = \$97.52 (\$35.50 + \$62.02)