

CITY OF STATESBORO

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STATESBORO, GEORGIA 30459-0348

June 14, 2007

Memo to: Bulloch County Board of Commissioners
County Manager Tom Couch

From: George Wood, City Manager *GW*

Re: City of Statesboro Request to Amend the Fire Contract and Service Delivery Agreement

The City and County agreed in the H. B. 489 Service Delivery Strategy in March, 1999, that they would continue to provide services to the area in the Statesboro Fire District under the terms of an existing contract. That existing contract, which dates from the mid-1980's, for one-year terms, requires a payment of 25% of the City's fire department budget annually. Bulloch County assesses a separate Fire District Millage Rate on these county residents (currently 1.4 mills), then remits that payment to the City. For that, the City provides fire suppression services in the area outside the City Limits that is within five miles of a fire station. This means that Fire District property owners get the same level of response to a fire, and the same Class 3 ISO fire insurance rating if the water system is adequate, as if they were in the City. That is a significant improvement in both protection, and in savings on homeowners or commercial insurance compared to a district protected by a volunteer fire department. The insurance premium savings should more than offset the additional millage rate to support the fire department.

It is critical to note that both this fire protection agreement and the Service Delivery Strategy were signed prior to the City building a second fire station on Fair Road in 2000. Opening that second fire station has significantly expanded the Fire District area that is covered by the Statesboro Fire Department, while having no impact on the City's boundaries. In addition, there has been significant development within the Fire District. The larger district, and the development growth within that district, has created a growing disparity between who pays for the fire department, and who receives its benefits.

Today, **only 57%** of the real property protected by the Statesboro Fire Department is located within the City Limits. That means that **43% of the real property they protect is in the Fire District**. To have the property owners getting only 57% of the benefits pay for 75% of the cost to provide the benefits is patently unfair. It means they are subsidizing the property owners of the other 43% of the property by a large amount. How large? **By 72%!** The calculation is as follows:

.43	Percentage of property in the Fire District
<u>-.25</u>	Percentage of Fire Department expenses they pay
.18	Additional percentage of Statesboro Fire Department the Fire District should be paying
<u>.25</u>	Current Percentage Paid
.72	Percentage of Underpayment by Fire District (and , the percentage subsidy by property owners in the City of Statesboro)

The only issue here is: What is the fair allocation of costs to provide this service? It is logical that the allocation of cost should mirror the allocation of benefits. Both groups receive the same level of benefits, so both should pay equally for the service. But, **we have a situation where one group of Bulloch County citizens is subsidizing the other group by 72%**. We submit that the only fair allocation of cost is to take that subsidy to zero. That would mean we enter into a contract that allocates the cost percentage based upon the percentage of appraised value of the property protected. No city can be expected to provide a service outside its corporate limits to non-residents at a price that is lower than it charges its own citizens.

Your proposed FY 2008 Budget recommends phasing out this subsidy over a three- to four-year period. We submit that we cannot absorb those additional expenses. Therefore, we ask that you reconsider this recommendation. Here is how various phase-ins would affect our Budget. The City's proposed FY 2008 Budget for the Fire Department is:

\$2,027,397	Total Operating Budget for SFD in the General Fund
+ <u>206,552</u>	Total in CIP Fund for SFD capital projects
\$2,233,949	Total Operating and Capital Budget for SFD

So, the difference in dollars the Fire District should pay is:

Current 25% ratio:	Proposed 43% ratio:
\$ 2,233,949	\$ 2,233,949
X <u> .25</u>	X <u> .43</u>
\$558,487.25	\$960,598.07
\$ 960,598.07	
- <u>558,487.25</u>	

\$ 402,110.82 Total Subsidy on an annual basis

If you phase-out this subsidy over several years, the scenarios cost Statesboro property owners the following:

	City Property Owner Subsidy of Tax District Property Owner
No Phase-in	0
Two-year phase-in:	
Year 1	\$201,055.41
Year 2	0
Total 2 Year Subsidy	\$201,055.41
Three-year phase-in	
Year 1	\$268,073.88
Year 2	\$134,036.94

Year 3	0
Total 3 Year Subsidy	\$402,110.82
Four-year phase-in	
Year 1	\$301,583.12
Year 2	201,055.41
Year 3	100,527.71
Year 4	0
Total 4 Year Subsidy	\$603,166.24

The City's proposed FY 2008 Budget already has 2% water rate increases, and we have recently changed our occupational tax ordinance. We have cut out the inflationary increase in medical costs by reducing the health insurance benefits. We have given only a 1% cost-of-living adjustment to our employees. We have made other cutbacks, and still the recommended budget calls for the appropriation of \$243,598 of fund balance in order to balance the General Fund budget. That is the budget that finances the Statesboro Fire Department.

If you ask the City to continue to subsidize the property owners in the Fire District, then you are asking the City to raise that money from someone else. And that "someone else" isn't getting the additional benefits of the fire department—the fire district property owners are.

On behalf of Mayor Hatcher and the Statesboro City Council, I am asking that the Board of Commissioners change the formula for funding the Fire District to one based upon the total taxable property in the Fire District divided by the total taxable property in the Fire District and the City of Statesboro combined. In other words, we want the formula changed to the percentage the Fire District represents of the Statesboro Fire Department's total coverage area.

I should note that we are studying the possibility of a third fire station. That would increase the fire district territory, allowing more Bulloch County property owners to enjoy an ISO Class 3 fire insurance rating, with decreased insurance premiums. However, we cannot entertain that at all if we are not going to be fairly compensated for the increased coverage area. We would be digging a financial hole.

Attached for your information is a 7-year history through 2005 of the Fire District Tax Rate. The 2006 rate was also 1.4 mills. In addition, we have provided some information on what the savings are for a \$155,000 and a \$400,000 house at an ISO Class 3, Class 7, and Class 9 rating, from three insurance carriers. To get a better picture, you should probably average those carriers' rates. Our understanding is that Register has a Class 7, Brooklet and Portal a Class 8, and all other departments have a Class 9. The correct comparison in this scenario would be to a Class 9.

A house valued at \$155,000 would pay \$62.00 for each mill levied. A \$400,000 house would pay \$160.00 for each mill levied. Please look at what their savings are, compared to the millage rate you would need to set to end this subsidy. The Fire District Tax would still be more than offset by the savings on the homeowner's insurance premium. I think you will agree, Fire District property owners still would be getting a very good deal.

*No indirect cost allocation.
Assumes no increases in future
years*

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MILLAGE RATES

DIGEST YEAR	2005	2004	2003	2002	2001	2000	1999
COUNTY	8.630	8.630	9.350	9.36	8.88	9.74	9.74
STATE	0.250	0.250	0.250	0.25	0.25	0.25	0.25
SCHOOL	9.450	9.450	8.560	8.57	8.57	9.40	9.40
LIBRARY BOND	0.000	0.000	0.000	0.00	0.00	0.00	0.11
SCHOOL BOND	0.840	0.840	0.909	0.91	0.91	1.00	1.00
TOTAL District 4**	19.170	19.170	19.069	19.09	18.61	20.39	20.50
FIRE DISTRICT	1.400	1.400	1.490	2.84	2.36	3.38	3.38
TOTAL IN FIRE DISTRICT District 6	20.570	20.570	20.559	21.93	20.97	23.77	23.88
 STATESBORO							
COUNTY	19.170	19.170	19.069	19.09	18.61	20.39	20.50
CITY	6.921	6.921	7.741	7.75	7.75	9.20	8.50
TOTAL District 1	26.091	26.091	26.810	26.84	26.36	29.59	29.00
 BROOKLET							
COUNTY	19.170	19.170	19.069	19.09	18.61	20.39	20.50
CITY	7.692	7.692	8.400	8.40	8.40	9.50	9.50
TOTAL District 2	26.862	26.862	27.469	27.49	27.01	29.89	30.00
 *****PORTAL*****							
COUNTY	19.170	19.170	19.069	19.09	18.61	20.39	20.50
CITY	7.600	7.600	8.000	8.00	8.00	9.50	9.50
TOTAL District 3	26.770	26.770	27.069	27.09	26.61	29.89	30.00
 *****SCHOOL*****							
GROSS	15.760	15.790	15.410	15.34	15.35	17.01	17.06
LESS SALES TAX							
ROLLBACK	6.310	6.340	6.850	6.77	6.78	7.61	7.66
SCHOOL - NET	9.450	9.450	8.560	8.57	8.57	9.40	9.40

**Tax District 4 is same - Inc. & Uninc.

What does it cost?

- 1800 sq. ft. single family residential
 - \$155,000
 - new brick
 - \$500 deductible
 - 100,000 liability
-

ANNUAL COST COMPARISON

Insurance Company	ISO 3	ISO 7	ISO 9
Encompass	\$ 429	\$ 531 102	\$543 126
GA Farm	\$ 334	\$ 469 135	\$ 718 384
Allied	\$ 511	\$633 122	\$ 999 488

What does it cost?

- 1800 sq. ft. single family residential
 - \$400,000
 - new brick
 - \$500 deductible
 - 100,000 liability
-

ANNUAL COST COMPARISON

Insurance Company	ISO 3	ISO 7	ISO 9
Encompass	\$ 858	\$ 1107 249	\$ 1560 702
GA Farm	\$ 936	\$ 1250 314	\$ 1832 896
Allied	\$ 2346	\$2647 301	\$ 3552 1206