

# **FIRE DISTRICTS FUND**

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## **Description**

In 1973, a Special Act of the Florida Legislature (Chapter 73-600, Laws of Florida) created the Pinellas County Fire Protection Authority. This special legislation subsequently assumed ordinance status as Article II, Chapter 62 of the Pinellas County Code. The Board of County Commissioners is designated as the Fire Protection Authority, with responsibility to “establish and implement a permanent plan of fire protection for Pinellas County and each of its municipalities” and levy ad valorem taxes to fund fire protection services within these districts.

At present, the Fire Districts Fund consists of twelve separate municipal services taxing units (MSTUs) that provide fire protection services in the unincorporated areas of Belleair Bluffs, Clearwater, Dunedin, Gandy, Largo, Pinellas Park, Safety Harbor, Tarpon Springs, Seminole, High Point, Tierra Verde and South Pasadena. These districts were formed at differing times, after the electors in the affected unincorporated areas approved their creation and the levy of ad valorem taxes to fund fire protection. Those Fire Districts that were created under Chapter 73-600, Laws of Florida receive compensation based on the pro rata share of the fire department’s budget in each fire district. The pro rata share is allocated based on the value of real property for the unincorporated area in that district.

## **Summary**

The Fire Districts Fund provides fire protection service to the unincorporated areas of Pinellas County through twelve separate fire protection districts that are funded entirely by ad valorem taxes collected from property owners within these districts. This fund forecast is presented in a high-level, consolidated manner. Within the fund, each Fire District’ budget is balanced separately. Property taxes declined dramatically in recent years due to the impact of statewide legislation on millage rates and a downturn in property values. As the housing market is recovering, taxable property values are forecast to increase for all but one of the districts in FY2014. The growth factor is projected at 2.5% each year through the forecast period. Individual districts will experience higher or lower growth than this all-districts fund level forecast.

The forecast for the Fire District Fund indicates that the fund is not balanced through the entire forecast period. Millage rates increased for five of the twelve fire districts in FY2013, and the millage rate for the South Pasadena Fire District decreased substantially with a change in contracted service provider. In FY2014, the millage rate for the High Point Fire District also decreased substantially with a change in its contracted service provider. Millage increases were approved for three districts in FY2014 (Gandy, Pinellas Park and Safety Harbor). Additional increases for individual fire districts will likely be necessary to cover expenditures over the forecast period. Potential millage rate increases will need to take into account the individual millage caps in each fire district.

## **Revenues**

The Fire Districts Fund consists of primarily one funding source: property taxes (ad valorem revenue).

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## *Property Taxes*

Property tax revenues have decreased significantly over the last several years due to legislative rollbacks, the passage of Amendment One, the decline in the real estate market, and the recession. These revenues are affected by taxable values for properties in the local economy, and as property values have begun to recover, revenues will increase. Taxable values for FY14 reflect a weighted average increase of 2.8% and, after a net reduction due to the decreased millage rate for High Point, will generate an estimated total of \$14.5M across all 12 districts. The Taxable Value chart on the next page shows the percentage change for each individual fire district, ranging from -0.44% for Safety Harbor to a high of +6.39% for Belleair Bluffs.

Each fire district has a separate ad valorem millage rate that is the sole revenue source for each of the fire districts. The chart below lists the individual fire district rates. Three districts required an increase in millage rate for FY2014 to fund fire service provider expenditures: Gandy, Pinellas Park and Safety Harbor. The millage rate for High Point decreased by 1.5216 mils, from 4.1916 in FY2013 to 2.6700 in FY2014, due to substantial savings in the new fire service provider contract.

**MSTU Fire Protection Districts**  
**Ad Valorem Millage Rates & Millage Rate Caps**

	Millage Rate Caps	FY14 Adopted Millage	FY13 Adopted Millage	Variance FY14/FY13 Millages
Belleair Bluffs/Largo	5.0000	1.7320	1.7320	0.0000
Clearwater	5.0000	3.2092	3.2092	0.0000
Dunedin	5.0000	3.5525	3.5525	0.0000
Gandy	5.0000	2.2977	2.2602	0.0375
Largo	5.0000	3.5609	3.5609	0.0000
Pinellas Park	5.0000	3.0163	2.3675	0.6488
Safety Harbor	5.0000	2.8118	2.7631	0.0487
Tarpon Springs	5.0000	2.3745	2.3745	0.0000
Seminole	10.0000	1.9581	1.9581	0.0000
High Point	10.0000	2.6700	4.1916	-1.5216
Tierra Verde	3.0000	1.9118	1.9118	0.0000
South Pasadena	5.0000	0.9137	0.9137	0.0000

Each district is subject to a mandated millage cap. The millage cap threshold for Belleair Bluffs, Clearwater, Dunedin, Gandy, Largo, Pinellas Park, Safety Harbor, Tarpon Springs, and South

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Pasadena are set at 5.0 mills while Seminole and Highpoint have a 10.0 mill cap. Tierra Verde has the lowest millage cap at 3.0 mills, which was increased by the Board from 1.5 mills in June, 2010 to meet increasing operating expenditures.

The next chart shows the variation in the taxable values between unincorporated fire districts due to the composition of properties within the districts, e.g. beach properties, condominiums, etc. For all but one of the 12 Fire Districts, FY2014 taxable values increased from the prior year as the real estate market recovers. The Safety Harbor district lost 0.44% in taxable value for FY2014.

Unincorporated Fire Districts  
Percentage Change in Taxable Values FY2013/2014

Taxing Authority	FY13 Taxable Values	FY14 Taxable Values	% Chge
Belleair Bluffs/Largo	267,779,403	284,902,433	+6.39%
Clearwater	829,862,980	841,660,590	+1.42%
Dunedin	279,269,608	286,218,251	+2.49%
Gandy	45,444,402	46,660,761	+2.68%
Largo	506,606,480	511,113,648	+0.89%
Pinellas Park	252,996,801	259,052,750	+2.39%
Safety Harbor	64,106,151	63,823,484	-0.44%
Tarpon Springs	164,472,689	165,897,714	+0.87%
Seminole	2,105,905,658	2,179,420,161	+3.49%
Highpoint	650,957,851	666,544,672	+2.39%
Tierra Verde	736,158,621	760,266,232	+3.27%
South Pasadena	101,382,252	107,006,270	+5.55%

Consistent with the collective growth in taxable value for FY2014, this forecast projects a 2.5% increase in Ad Valorem revenue for the overall fund from FY2015 through the forecast period.

## Expenditures

The Fire District Fund supports budgeted expenditures and reserves totaling \$23.4M for all twelve districts in FY2014. The primary expenditures budgeted in the fund are \$12.5M for contractual payments to the municipalities and other independent agencies for fire and rescue services. The total contractual payments reflects savings of about \$1M for the High Point Fire District. FY2014 budgeted reserves are \$10.1M.

### *Contractual Fire Payments*

The forecast includes an annual 4.0% increase for the service contracts from FY2015 through the forecast period. Fire departments submit their operating and capital budget requests on an annual basis, and after County review, funding is based on the unincorporated pro-rata share of property values within the district. The exceptions are the contracts with the City of St.

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Petersburg for services to: the South Pasadena district (set at \$75K per year for five years beginning FY2013) and East High Point (set at \$296.7K per year for five years beginning in FY2014).

## ***Administrative Costs***

Administrative costs from the County are allocated to each fire district based proportionately on the amount of budgeted ad valorem revenue collected. The FY2014 budget is \$283.7K. Operating Expenses for this account reflect the County's administrative expenses, such as personal services, intergovernmental charges, and other operating charges, that are allocated to the twelve fire districts.

## ***Transfers***

The Fire District fund has transfers to the Property Appraiser and Tax Collector to cover the costs of appraisals and collection of ad valorem revenues. These amounts are set by Florida Statute and fluctuate with ad valorem revenue estimates. FY2014 costs are estimated at \$460.2K, with an annual growth of 3.0% through the forecast period.

## ***Reserves***

The reserve level in the Fire District fund fluctuates as a whole, but each fire district is evaluated individually. The minimum reserve level that each district maintains is 5.0% reserve for contingency. This is at the low end of the 5-15% reserve level budget policy adopted by the Board. Three of the individual fire districts currently maintain a 5.0% minimum contingency reserve, including Gandy, Safety Harbor and Tierra Verde. Several districts, including Belleair Bluffs, Tarpon Springs, Seminole and South Pasadena Fire Districts, maintain a 10.0% contingency reserve level that serves as a buffer to shield the district from economic downturn in their area. In FY2014, Clearwater, Dunedin, Largo and High Point are able to reach a contingency reserve of 10.0% without a change in millage. Pinellas Park Fire District's 10.0% contingency reserve decreases to 8.7%.

In addition, most of the fire districts set aside funds in Reserve for Future Years for long-term capital projects, such as a new fire truck purchase or improvements to a fire station. Districts can request these funds, with the County sharing its portion of requests based on the unincorporated value of the district. The Pinellas Park district has no Reserve for Future years at this time.

## **Ten-Year Forecast**

### ***Key Assumptions***

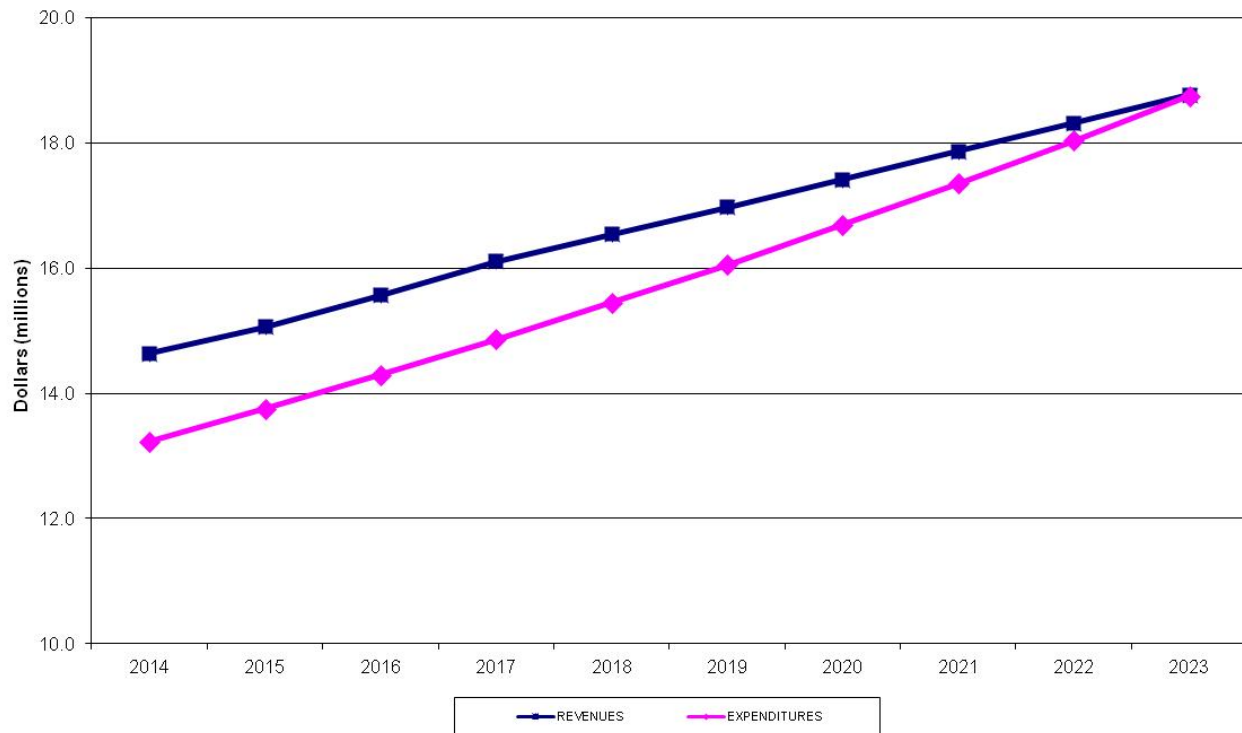
The fire district millages are assumed to remain at the adopted FY2014 rates through the remainder of the forecast period for each of the districts. Property tax revenue is projected to increase by an annual growth factor of 2.5% through the rest of the forecast period as the housing market recovers.

On the expenditure side, contractual payments to the providers are assumed to increase by 4.0% annually, which outpaces the projected property tax revenues through the forecast period.

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Fire Districts Fund Forecast FY2014 - FY2023



## Key Results

The fire district fund is presented in a consolidated manner for all of the individual unincorporated twelve districts. The chart above shows that total fund revenues are projected to exceed total expenditures until FY2023. The forecast has improved since presented in February 2013 in part due to the certified taxable property values for FY2014 collectively increasing 2.5%, versus the original assumption of 2.0% growth. The projected growth in property values and ad valorem tax revenue for FY2015 was also increased from 2.0% to 2.5%. Finally, the revenue forecast reflects adopted increases in FY2014 millage rates for the Gandy, Pinellas Park and Safety Harbor Fire Districts. Provider contract expenses are decreasing for Clearwater and Dunedin in FY2014 because both had additional capital expenses in FY2013. However, their overall requirements are not decreasing significantly because the revenue generated by their current millage rate increases fund reserves. FY2014 expenses for High Point decreased by about \$1M with the change in service provider for the eastern portion of the district. Each year, specific fire districts will vary in how much operating and capital funds are requested, how reserves are maintained and how fund balance is utilized. So, each individual district must be analyzed separately for its specific situation with revenue, expenditures and reserves.

While overall the fund appears to be balanced until FY2023, revenues are outpaced by expenditures sooner in some of the individual fire districts. Several of the districts will be able to utilize fund balance during the forecast period to pay for long-term capital projects and

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increasing operating expenditures. Some of the unincorporated fire districts will have to increase millage rates to generate sufficient property tax revenue for increasing expenditures.

## **Potential Risks**

The major variable impacting future revenues for this fund is ad valorem revenue and taxable values. As taxable values begin to rebound, the opportunity for higher revenues will increase. This is the main driver for increased revenues in the forecast.

If the districts continue to increase their operating requests at 4% per year, and tax revenue grows at an estimated 2.5% in future years, the pressure on increasing millage rates for some fire districts will continue each budget year.

Another potential impact is annexation of the unincorporated fire district areas. As cities increasingly annex more of the available unincorporated properties area, there are fewer unincorporated properties to share the burden of service costs. The funding formula in most fire districts allows for the remaining unincorporated payment to decrease proportionately. The exception to this practice is those High Point properties annexed by the City of St. Petersburg.

Another potential impact to fire service costs would be increased costs of Emergency Medical Service. If EMS funding is reduced by the County, it is possible these same providers may shift those costs to their fire district budget.

## **Balancing Strategies**

The forecast shows this combined fund as balanced through FY2023. However, it cannot be taken as a whole, and each district must be looked at individually. Unless the ad valorem revenue projection improves further out into the forecast, some individual districts will feel pressure to increase their millage rates. On the expenditure side, the contractual costs from the fire service providers' requests are being reviewed for continued efficiency opportunities.

Some of the individual districts can continue to use fund balance as long as it is available to them, and as long as the minimum reserve of 5% is prudently maintained to continue funding their district personnel and operating expenditures.

**FIRE DISTRICTS FUND FORECAST**  
**Fund 1050 (ALL DISTRICTS)**

<b>Forecast Assumptions</b>		<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>REVENUES</b>											
Ad Valorem Tax Revenue	1)	-3.2%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
<b>EXPENDITURES</b>											
Personal Services		4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Operating Expenses		1.5%	1.8%	1.7%	2.0%	1.9%	2.1%	2.0%	2.0%	2.0%	2.0%
Capital Outlay		1.5%	1.8%	1.7%	2.0%	1.9%	2.1%	2.0%	2.0%	2.0%	2.0%
Debt Service		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants & Aids (Cty Pymts)		-10.3%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
<b>Projected Economic Conditions / Indicators:</b>											
Consumer Price Index, % change		1.5%	1.8%	1.7%	2.0%	1.9%	2.1%	2.0%	2.0%	2.0%	2.0%
FL Per Capita Personal Income Growth		2.0%	2.2%	2.2%	1.8%	1.4%	1.5%	1.7%	1.6%	1.6%	1.6%
Estimated New Construction % of tax base		0.5%	0.5%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%

**FIRE DISTRICTS FUND FORECAST**  
**Fund 1050 (ALL DISTRICTS)**

(in \$ thousands)		FORECAST (@ 96% Ad Valorem Revenue and @100% Other Revenue)												
		Actual 2012	Budget 2013	Estimated 2013	Estimated 2014	Estimated 2015	Estimated 2016	Estimated 2017	Estimated 2018	Estimated 2019	Estimated 2020	Estimated 2021	Estimated 2022	Estimated 2023
BEGINNING FUND BALANCE		8,421.3	7,993.4	8,505.2	8,727.3	10,132.2	11,436.1	12,705.5	13,954.0	15,048.1	15,969.0	16,697.4	17,212.3	17,491.5
REVENUES														
Ad Valorem Revenue @ 95%	1)	15,018.0	14,822.0	14,922.8	14,337.2	14,695.6	15,063.0	15,439.6	15,825.6	16,221.2	16,626.8	17,042.4	17,468.5	17,905.2
Cty Off Fees (TC & PA)		109.3	94.9	93.8	94.6	96.5	98.4	100.4	102.4	104.4	106.5	108.7	110.8	113.1
Other Rev (Interest, Gain/Loss Inv)		53.4	53.8	32.0	47.9	101.3	228.7	381.2	418.6	451.4	479.1	500.9	516.4	524.7
Interest - Tax Collector		0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Adjust Property Taxes to 96%					150.9	154.7	158.6	162.5	166.6	170.7	175.0	179.4	183.9	188.5
Adjust Other Revenue to 100%					7.5	10.4	17.2	25.4	27.4	29.3	30.8	32.1	33.0	33.6
TOTAL REVENUES		15,180.8	14,970.8	15,048.7	14,638.2	15,058.7	15,566.1	16,109.1	16,540.7	16,977.2	17,418.3	17,863.6	18,312.7	18,765.2
% vs prior year		4%	-1%	-1%	-3%	3%	3%	3%	3%	3%	3%	3%	3%	2%
TOTAL RESOURCES		23,602.1	22,964.2	23,553.9	23,365.5	25,190.9	27,002.2	28,814.6	30,494.8	32,025.3	33,387.4	34,561.0	35,525.0	36,256.7
EXPENDITURES														
Personal Services		80.0	130.1	128.5	135.6	141.0	146.7	152.5	158.6	165.0	171.6	178.4	185.6	193.0
Operating Expenditures		172.2	134.4	132.5	148.1	150.8	153.3	156.4	159.4	162.7	166.0	169.3	172.7	176.1
Curr Chgs & Oblig (Cty Fire Admin Chgs)		244.8	264.5	261.0	283.7	288.8	293.7	299.6	305.3	311.7	317.9	324.3	330.8	337.4
Debt Service		-	0.5	-	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Grants & Aids (Provider Payments)	2)	14,403.7	13,923.2	14,107.6	12,488.7	12,988.2	13,507.8	14,048.1	14,610.0	15,194.4	15,802.2	16,434.3	17,091.6	17,775.3
Trfrs to PA & TC		441.0	458.0	458.0	460.2	474.0	488.2	502.9	518.0	533.5	549.5	566.0	583.0	600.5
Pro-Rate Clearing (County Fire Admin Chgs)		(244.8)	(264.5)	(261.0)	(283.7)	(288.8)	(293.7)	(299.6)	(305.3)	(311.7)	(317.9)	(324.3)	(330.8)	(337.4)
Expenditure Lapse 1% **														
TOTAL EXPENDITURES		15,096.9	14,646.2	14,826.6	13,233.3	13,754.7	14,296.7	14,860.6	15,446.7	16,056.3	16,689.9	17,348.7	18,033.6	18,745.6
% vs prior year		1%	-3%	-2%	-11%	4%	4%	4%	4%	4%	4%	4%	4%	4%
ENDING FUND BALANCE		8,505.2	8,318.0	8,727.3	10,132.2	11,436.1	12,705.5	13,954.0	15,048.1	15,969.0	16,697.4	17,212.3	17,491.5	17,511.1
Ending balance as % of Resources		36.0%	36.2%	37.1%	43.4%	45.4%	47.1%	48.4%	49.3%	49.9%	50.0%	49.8%	49.2%	48.3%
TOTAL REQUIREMENTS		23,602.1	22,964.2	23,553.9	23,365.5	25,190.9	27,002.2	28,814.6	30,494.8	32,025.3	33,387.4	34,561.0	35,525.0	36,256.7
REVENUE minus EXPENDITURES		83.9	324.6	222.1	1,404.9	1,303.9	1,269.4	1,248.5	1,094.1	920.9	728.4	514.9	279.1	19.6
(NOT cumulative)														
note: non-recurring expenditures		-	-	-	-	-	-	-	-	-	-	-	-	-
net recurring rev- exp		83.9	324.6	222.1	1,404.9	1,303.9	1,269.4	1,248.5	1,094.1	920.9	728.4	514.9	279.1	19.6

\*\* Expenditure lapse is not calculated on this fund as the majority of the expenditures within this fund are contractual and are fully expended each year.

1) The forecast assumes estimated Ad Valorem revenue is at 96%, versus the 95% level budgeted each fiscal year.

1) The forecast reflects a net reduction in ad valorem tax revenue for FY14 due to reducing the High Point millage rate from 4.1916 to 2.6700 in the FY14 Proposed Budget.

2) Grants & Aids (contracted payments to fire service providers) decreases in FY14 as FY13 included additional payments for Capital Improvements to Dunedin, Clearwater and Seminole.

2) Grants & Aids (contracted payments to fire service providers) also decreases in FY14 due to savings of about \$1M in the new service contract for East High Point.