

City of Cleveland

CLEVELAND, TENNESSEE

Office of the City Manager

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Memo To: Mayor and City Council
From: Janice Casteel
Subject: Fire Merger

The fire merger option provides limited benefits to city residents who already receive a Class 3 ISO rating. One benefit is the cost avoidance of approximately \$661,000 for hiring 12 firefighters for the Exit 20 fire hall as that area develops. Another benefit is no loss of jobs/funding. Mike, Chuck, and I have used the following assumptions in preparing the attached Fire Merger spreadsheet which estimates the cost of combining the Cleveland Fire Department, Bradley County Fire & Rescue, and Bradley County Emergency Medical Services.

Assumptions for Fire Merger Estimates:

- Each government contributes the same dollars as FY2009 as base for calculations of the fire tax. Since Bradley County EMS is funded as part of the Bradley County Tax Rate, the department is proposed to be funded equally by all citizens through the fire tax.
- The base ratios are used to calculate increases in fire tax as additional funding is required for staffing or capital needs of merged department, which includes the Cleveland Fire Department, Bradley County Fire and Rescue Department, and the Bradley County Emergency Medical Services Department.
- The 2008 actual property assessments were used as the base for assessment calculations for Cleveland, Bradley County Fringe, Bradley County Rural, and the City of Charleston.
- Property Assessments were estimated using 2% growth beginning in FY2011 in the city and fringe, 1% growth for rural area, and no impact for Volkswagen or Wacker Chemie.

- Fire tax revenue projections assume 93% collection of real and personal property taxes and 99% collection of PSC utility taxes.
- Delinquent fire tax collections are estimated annually for each tax year beginning in FY2012.
- EMS collects 80% of fees charged.
- Includes State of Tennessee In-Service Training pay reimbursement.
- Includes no miscellaneous donations or fees.
- Cost estimates are for existing fire halls and ambulance stations only – no new stations or increased staffing.
- Cost estimates for the departments include 4.5% increase for operating budgets, salary and benefit equalization for the Bradley County Fire and Rescue and EMS departments, and no funding for equipment replacement for any department.
- Rural residents would continue to be protected by a combination of volunteers from the rural stations and units responding from the fully-staffed stations.
- Unfunded capital replacement list at the bottom of the spreadsheet includes: first five years of the 15-year capital replacement program of the Cleveland Fire Department excluding new fire stations and equipment for new stations, \$350,000 every other year to phase out the County's mini-pumpers for the rural area, and \$200,000 annually for EMS equipment replacement.
- Spreadsheet includes debt service amounts due for fire stations and equipment already purchased.

If fire protection funding is paid from property tax revenues, a city resident is currently paying \$0.69 of our \$1.65 tax rate for fire protection. In the first year of the merger, that rate increases to \$0.75, which is a 5-year average rate. An example using a \$100,000 home appraisal is shown below and is an increase of \$15 annually to the city homeowner.

Fire Tax for city resident on \$100,000 appraisal:

Today	\$172.50 for fire protection
FY2011	\$187.50 for fire protection

Additionally, funding of the ambulance service merger with the fire departments would require a \$0.06 fire tax on all citizens (an additional \$15 for a city resident with \$100,000 appraisal). This service is currently funded by Bradley County on a county-wide basis; therefore city residents should receive a property tax rate decrease from Bradley County.

The ambulance service is approximately 87% fee based; however only an 80% collection rate was used for these calculations.

The capital replacement program for the three departments (City Fire, County Fire, and County EMS) would require a five-year average rate of \$0.10 annually. This replacement program is not currently funded in either the city or county budgets, but should be considered for funding in the merged department to insure timely replacement of all fire equipment and ambulances. For the city resident with a \$100,000 appraisal, this would cost an additional \$25 annually.

To recap the impact on a city resident using five-year average rates for a merged department:

	Current Fire	Increase to City Resident			Total Tax
		Proposed Fire	Proposed Capital	Proposed EMS	
\$100,000 appraisal	\$172.50	\$15	\$25	\$15	\$227.50
\$150,000 appraisal	\$258.75	\$22.50	\$37.50	\$22.50	\$341.25
\$200,000 appraisal	\$345.00	\$30	\$50	\$30	\$455.00

The proposed fire column and 70% of the proposed capital is attributable to the Cleveland Fire Department, because the proposed city fire tax is the tax required to fund the FY2009 Cleveland Fire Department operating budget and debt service. The proposed county fringe fire tax is designed to cover the current expense, which is the fire contract with the city. The proposed county rural fire tax is designed to fund the current expenses of the Bradley County Fire and Rescue Department.

Funding the merged department could be approached using several different methods, but this one uses the funding currently in place for the two fire departments and assesses an equal rate for funding EMS operations.

ESTIMATED BUDGETS as of 6/30/09
 FY 2009 THROUGH FY 2015

6/30/2009 0.00	FY2009 Actual	FY 2010	FY2011	FY2012	FY2013	FY2014	FY2015
REVENUES: (0.63% Growth in FY2010)							
(Assumes 2.0% Growth in City & Fringe AND 1% growth in Rural beginning FY2011; 93% Collection on Real & Personal, 99% on Util PSC Taxes)							
Bradley Co. Fringe Assessed Value	338,866,039	338,082,755	344,844,410	351,741,295	359,776,125	365,951,647	373,270,680
Bradley Co. Fringe PSC Assessed Value	22,275,602	22,275,602	22,275,602	22,275,602	22,275,602	22,275,602	22,275,602
Bradley Co. Rural Assessed Value	354,286,274	356,057,705	359,618,283	363,214,465	366,846,610	370,515,076	374,220,227
Bradley Co. Rural PSC Assessed Value	7,052,423	7,052,423	7,052,423	7,052,423	7,052,423	7,052,423	7,052,423
City Assessed Value	864,898,737	870,607,069	888,019,210	905,779,584	923,895,186	942,373,080	961,220,552
City PSC Assessed Value	22,514,749	22,514,749	22,514,749	22,514,749	22,514,749	22,514,749	22,514,749
Charleston City Assessed Value	8,179,074	8,179,074	8,179,074	8,179,074	8,179,074	8,179,074	8,179,074
Charleston PSC Assessed Value	1,233,833	1,233,833	1,233,833	1,233,833	1,233,833	1,233,833	1,233,833
TOTAL: Used Actual 2008 Assmts	1,616,306,732	1,626,003,211	1,653,737,585	1,681,991,040	1,710,773,602	1,740,095,495	1,769,967,140
Required Tax Rate - City Fire	\$0.69	\$0.69	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75
Required Tax Rate - County Fringe Fire	\$0.46	\$0.51	\$0.55	\$0.55	\$0.55	\$0.55	\$0.55
Required Tax Rate - County Rural Fire(incl Chrl)	\$0.39	\$0.55	\$0.60	\$0.60	\$0.60	\$0.60	\$0.61
Required Tax Rate - City EMS	\$0.06	\$0.06	\$0.06	\$0.06	\$0.06	\$0.06	\$0.06
Required Tax Rate - County Fringe EMS	\$0.06	\$0.06	\$0.06	\$0.06	\$0.06	\$0.06	\$0.06
Required Tax Rate - County Rural EMS	\$0.06	\$0.06	\$0.06	\$0.06	\$0.06	\$0.06	\$0.06
Fire Tax - City Residents	\$ 6,123,153	\$ 6,162,541	\$ 6,829,005	\$ 6,962,208	\$ 7,098,075	\$ 7,236,659	\$ 7,378,015
Fire Tax - County Fringe	\$ 1,547,452	\$ 1,837,826	\$ 2,019,160	\$ 2,057,093	\$ 2,095,784	\$ 2,135,250	\$ 2,175,505
Fire Tax - County Rural	\$ 1,445,931	\$ 2,048,877	\$ 2,256,502	\$ 2,278,079	\$ 2,299,872	\$ 2,321,882	\$ 2,383,182
EMS Tax - City Residents	\$ 532,448	\$ 535,873	\$ 546,320	\$ 556,977	\$ 567,846	\$ 578,933	\$ 590,241
EMS Tax - Fringe Residents	\$ 214,885	\$ 216,215	\$ 220,272	\$ 224,410	\$ 228,631	\$ 232,936	\$ 237,328
EMS Tax - Rural Residents	\$ 222,451	\$ 223,514	\$ 225,650	\$ 227,806	\$ 229,987	\$ 232,188	\$ 234,411
State Grant-in-service training (City)	\$ 48,600	\$ 57,600	\$ 60,192	\$ 62,901	\$ 65,731	\$ 68,589	\$ 71,780
State Grant - in-svc training (BCFR)			\$ 10,200	\$ 10,200	\$ 10,200	\$ 10,200	\$ 10,200
Miscellaneous (donators)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EMS Charges for Svc (80% of Exp.)	\$ 3,674,272	\$ 3,703,918	\$ 3,870,595	\$ 4,044,771	\$ 4,226,786	\$ 4,416,992	\$ 4,615,756
Delinquent Tax Collections	\$ -	\$ -	\$ -	\$ 195,700	\$ 394,800	\$ 597,300	\$ 803,420
TOTAL REVENUES	13,909,192	14,786,365	16,037,896	16,620,146	17,217,712	17,831,029	18,499,838
EXPENDITURES: Based on current levels of svc.							
Cleve and Fire Dept. (Note: incl. 3 frozen positions)	7,708,208	7,807,567	8,177,657	8,575,038	9,003,374	9,452,308	9,927,403
Bradley County Fire	1,293,933	1,739,918	1,818,214	1,900,034	1,985,535	2,074,885	2,168,254
Bradley County Rescue	170,500	170,500	170,500	170,500	170,500	170,500	170,500
Bradley County EMS	4,592,840	4,629,898	4,838,243	5,055,964	5,283,483	5,521,239	5,769,695
City of Charleston	0	0	0	0	0	0	0
BCFR & EMS Salary & Benefit Equalization	0	0	403,425	421,579	440,650	460,375	481,092
Sub-total Operating	13,865,481	14,347,883	15,408,040	16,127,115	16,883,442	17,579,307	18,516,944
Debt Service							
City Debt:							
1996 GIBF (#2 Hal) \$362K, Ladder \$601K)	127,659	127,239	126,588	125,706	124,593	123,249	121,674
1999 GIBF-2000 Pumper Truck and Hazmat Truck	34,863	23,560	23,335	25,692	25,381	38,747	38,709
2001 GIBF-Truck & Land for #5 Station	30,175	29,075	7,975	7,975	7,975	7,975	7,975
2002 GIBF Equipment	13,725	13,225	12,725	12,225	16,475	15,225	-
2005 GIBF VI-E-4 (Design #5, Station#5)	13,775	18,288	17,813	17,338	16,863	16,388	15,913
2005 D-4-A #5 Station	68,600	72,200	70,600	69,090	72,400	70,600	68,900
County Debt:							
None	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sub-total Debt Service	288,797	283,587	259,036	262,936	263,687	272,184	253,070
TOTAL EXPENDITURES	14,154,278	14,631,470	15,667,075	16,390,051	17,147,129	17,851,491	18,770,014
SURPLUS (DEFICIT)	(245,086)	154,896	370,820	230,095	70,583	(120,462)	(270,176)
New Capital Replacement Program:							
Fire - Equipment Replacement (City)			\$ 165,000	\$ 793,000	\$ 1,670,000	\$ 695,000	\$ 1,420,000
Fire - Equipment Replacement (County)			\$ 350,000	\$ -	\$ 350,000	\$ -	\$ 350,000
EMS - Equipment Replacement			\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
Total Unfunded Equipment			\$ 715,000	\$ 993,000	\$ 2,220,000	\$ 895,000	\$ 1,970,000
Additional fire tax for capital replacement:							
City Additional Tax			\$0.05	\$0.07	\$0.16	\$0.06	\$0.14
County Fringe Additional Tax			\$0.04	\$0.05	\$0.11	\$0.05	\$0.10
County Rural Additional Tax			\$0.04	\$0.05	\$0.12	\$0.05	\$0.11
Fire tax for operations & capital replacement:							
(Using 5-yr. average for capital replacement)							
Total City Fire Tax			\$0.85	\$0.85	\$0.85	\$0.85	\$0.85
Total Fringe Fire Tax			\$0.62	\$0.62	\$0.62	\$0.62	\$0.62
Total Rural Fire Tax			\$0.68	\$0.68	\$0.68	\$0.68	\$0.68