

Fire Services Assessment 101

With the Florida Supreme Court opinion upholding the City's Fire Services Assessment, here are some questions and answers about the 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 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, the "calls for service" methodology used by other cities 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.

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

Answer: The fire assessment is another revenue source to help the City diversify its revenues and become more economically 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 portion of the City's Fire Department budget related to fire services will be funded with the fire services assessment. Previously, the entire Fire Department budget was paid from the General Fund. By pulling these specific costs from the General Fund and establishing a dedicated revenue source to pay for these services, an equal amount of dollars is freed up 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: What can the City do with the dollars freed up in the General Fund by the fire assessment?

Answer: The City has several options. Dollars made available in the General Fund can go toward other capital needs (equipment, facilities, etc.). The City requires about \$20 million a year to maintain capital, which includes \$6.5 million for annual road paving. City Council also can provide property tax reductions, which Council did when they decreased the millage rate by 0.25 mils in FY 2014.

Question: Why not just raise the property tax millage rate?

Answer: The state of Florida has a statutory limit of 10 mills on the property tax rate. The City was at 7.9570 mills before the 0.25 millage rate reduction in 2014. To generate the \$20 million needed for capital (roads, facilities, vehicles, equipment, etc.), the City's tax rate would have to exceed the statutory maximum. This is not a 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: There are two tiers to the fire assessment. Tier 1 is a flat rate and applies to all properties regardless of size or development status. Tier 2 applies only to developed parcels and is based on the "building cost value" plus the value of any "building extra features." City Council will determine rates for each tier during the budget process.

Question: What are "Building Cost Value" and "Building Extra Features?"

Answer: These are two of the categories used to determine the value of property when calculating taxable property values.

Question: Why not just use "taxable" value to calculate the assessment?

Answer: The fire services assessment is based on the financial impact from a fire. Taxable value is used to establish property taxes and excludes significant amounts of property value from taxation. Taxable value does not reflect the cost to replace a structure should it be consumed by fire.

Question: Will the assessment be the same amount every year?

Answer: No. City Council can adjust the rate depending on various components such as changes in annual taxable property values, public service tax revenues and costs for services.

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

Answer: The City will collect the assessment on the property tax bill in the same way the City currently collects the stormwater fee, solid waste fee and lot mowing fees.

Question: Is the Fire Services Assessment tax-deductible?

Answer: The City does not give tax advice to its constituents, and property owners should consult with their tax advisors on deductibility of assessments. Property owners may wish to review IRS Publication 17. Chapter 22 includes a discussion of items that generally cannot be deducted. Under subsection ***Real Estate-Related Items You Cannot Deduct***, there is an **Exception** part. This section addresses certain types of assessments that may be deductible.