

Planning for a Sustainable Future

Union County, North Carolina, Administrative Services

Budget Focus Area #2:

*Sustainable VFD
Funding*

Budget Focus Area: Sustainable VFD Funding

During the budget process, the Board of County Commissioners chooses to focus on several specific issues, versus working across the whole of County services. This process allows a focus on specific, timely issues, working deeply on single topics. For the FY 2016 process, the BOCC has chosen to focus on three specific areas.

- Bond Elections
- Sustainable Volunteer Fire Department Funding
- Revaluation and the Revenue Neutral Tax Rate

These areas will be specifically discussed during public work sessions and additional information will be provided through Budget Focus Area Working Papers. These working papers provide issue specific analysis and discussions related to the topic and identify the significant related issues.

Volunteer Fire Departments are a critical component of public safety. During the recent strategic planning process as well as the development of the County Manager's annual "Plan of Work", the Board of County Commissioners has continually ranked public safety as their highest priority. In addition, the goal of sustainability was highly ranked.

Traditionally, when considering public safety in Union County, the first thought will always be of the Union County Sheriff's Office. However, public safety is a much deeper issue than just law enforcement, encompassing emergency medical services, fire protection, courts, inspections, and components of Human Services.

For this focus area, the discussion will key in on fire protection and emergency medical services. Although the focus area is Sustainable VFD Funding, the eighteen volunteer fire departments provide more than fire suppression, with the majority of their calls being medical, first response calls and non-structure fires. With that in mind, the VFDs provide a significant portion of the emergency medical services within the County and are part of the emergency medical system. It is probably not an overstatement to call them the back-bone of the current system.

The County Service Delivery Model

Before a deeper discussion of the VFDs is had, it is important to focus in on the general County service delivery model. Generally, government services are provided on an as-needed basis and funded based on a readiness to serve. The core government services are funded through countywide taxes and sales taxes.

Consider for a moment the services provided by the County, such as Law Enforcement, EMS, or Education. If one calls 911 and requires a deputy or ambulance, the 911 operator does not ask for payment before dispatching services. But rather, when a resident pays their property taxes they are paying to ensure that service is available in their moment of need. When a student goes to register for classes, the school does not provide a bill, but rather that student is provided an education at no direct cost to the family.

This readiness to serve concept is foundational to the service delivery in Union County. The readiness to serve in turn is funded through a proportional burden to each taxpayer based, in large part, on the value of their property and other assets. This is done through the property taxes paid on houses, businesses, vehicles, and other business property. The service level provided or response to service need is not based on the proportional taxes paid, but based on the necessary response.

The nature of property taxation is historically based in the North Carolina constitution, with the concept that all taxpayers will be taxed equally, at the same rate and not at the same dollar amount.

Because of the core concepts of service delivery and the nature of the tax system, each resident in Union County enjoys a basic level of service. This concept was reiterated by the Board of County Commissioners with the recent adoption of an overhauled EMS contract and service delivery model.

At the very heart of the EMS contract and model was the assurance that all residents in Union County enjoy an base level of service, in the EMS case, a 14:29 min response time.



In addition to EMS, the County funds the Sheriff's Office at a level sufficient to ensure adequate coverage throughout the County and not in specific areas.

Fees for Service:

If the County's service delivery model is funded based not on usage, but on a readiness to serve model, when would it be appropriate for government to charge based on usage?

There are a number of services that are partially funded through "user charges". These items tend to be more along the lines of amenities or specific business type activities, items such as Cane Creek Park, Water and Wastewater, Solid Waste, or the printing of maps.

These items are charged based on usage with the notion that while all residents may partake in these, not all will. These services are largely optional and not compulsory, so the use and the extent of use is determined by the user and therefore should be paid by the user.

The delivery of fire protection and suppression falls into the readiness to serve model versus the charges for service model. With this foundational concept, it is necessary to re-evaluate the Volunteer Fire Department model and the nature of its funding.

Core Principles for Providing Fire Protection and Suppression

Union County enjoys a rich heritage of Volunteer Fire Departments protecting the community. However, the VFDs of Union County have evolved and will continue to evolve to meet the changing demands of a dynamic County.

As the County sits poised to move into another growth cycle, the future of Fire Protection and Suppression in Union County must meet several core goals.

- *Uniformity of Base Level of Service Regardless of Density* – Every resident and business in Union County should expect a base level of service, regardless of where they reside geographically. Similar to the discussion related to EMS, the

more rural portions of the County should enjoy and expect a comparable level of service to those in the more densely populated areas.

- *Uniformity of Base Level of Service Regardless of the Ability to Pay* – The level of Fire Protection and Suppression provided should be uniform throughout the County and not based on the economic factors or property values within a specific geographic portion of the County. The base level of service should be consistent throughout the County.
- *Fire Protection and Suppression is Part of the Total Public Safety Effort of Union County* – Fire Protection and Suppression is a critical component of the overall public safety model in Union County and, as such, the BOCC's responsibility is to ensure there is an adequate coverage throughout the County. The VFD model in North Carolina is based on a contract for services. The BOCC contracts with each VFD to provide Fire Protection and Suppression services, similar to the contract with Carolina's Medical System for EMS services.

The concept of Fire Protection and Suppression should be considered in conjunction with Emergency Medical Services, Sheriff's Office Services, and Human Services as a comprehensive approach to Public Safety.

- *Funding Methods and Levels are Determined by the Board of County Commissioners* – The level of funding provided to each VFD, regardless of funding sources, is provided through the authority and at the discretion of the Board of County Commissioners. While some individual VFDs provide limited funding through fund raisers and contracts, the majority of funding is provided by the BOCC through setting rates, fees, or additional general tax contributions. Individual VFD Boards determine the level of the request, but the BOCC represents the taxpayers and fee payers in setting the rates.

In addition to tax rates and fees, the BOCC must consider the insurance rate impact on the taxpayers. Balancing the funding impacts against the requests of the individual VFDs will always be a trade-off, however an objective process with a countywide view ensures that this balance is achieved.



A sustainable funding model paired with a sustainable service model will ensure appropriate service levels. Any funding model that does not achieve sustainability is only short-term in nature and will require modification. Sustainability of the funding model is the only way to ensure a viable long-term solution.

- *Adequate Staffing, Equipment, and Facilities are Essential* – Although the term “adequate” is a determination for the BOCC, all VFDs should be adequately staffed, equipped, and have adequate facilities. The varying needs throughout the county should be evaluated and prioritized to address the highest risk areas. Then ultimate goal is to determine a long term countywide strategic plan.

With these five core principles, a “checklist” can be established. A successful and sustainable fire protection and suppression plan will meet the principles and subsequently address the Public Safety needs of the community.

Funding Models in North Carolina

There are approximately 978 fire districts in North Carolina. They are funded through a number of variations on three specific funding structures.

- *Fire Fees* – The most unique method of funding VFDs in the State is through the use of the fire fee. Union County and Brunswick County are the only two counties in the State that use this structure.

Through special legislation, both Union and Brunswick Counties use a fee for the readiness to serve model. In Union County, thirteen of the eighteen fire districts use a fire fee model, and the remaining five use a fire tax model. Indications are that Brunswick County is moving away from the fee model, in so doing, Union County would be the only county utilizing the fee model.

Fire fees differ from taxes in that the fee is based on the type of item. While the discussion is typically focused on the fire fee for a single family dwellings, the fees range from three cents per unimproved acre (with a minimum base fee) to two-hundred dollars for multi-family dwellings.

Under the fee model, the cost factored into the readiness to serve is, in theory, distributed amongst the fee payers based on their relative risk or possible use. The result is a fee payer who owns unimproved land funds fire services at a lesser rate than a single family dwelling. This is because the cost or use of resources, in theory, is greater for the single family dwelling.

- *Rural Fire Protection Districts* – NC General Statutes Chapter 69 Article 3A outlines the rules and specific process for the establishment of a Rural Fire Protection District. The defining factor in the rural fire protection district is the petition process and resulting localized referendum to establish the district. Union County has two such districts, Hemby Bridge Fire Protection District and Stallings Fire Protection District.

The referendum authorizes the BOCC to establish a district by statute, and to determine how the services are provided in the district. This has historically been done through contracting with one or more volunteer fire departments or municipal fire departments.

It is important to note that the Rural Fire District is an authorizing mechanism and not a mandate to tax or select a specific volunteer fire department. The Board of County Commissioners has the discretion to establish the tax rate or select a VFD as it deems appropriate.

Funding derived from this localized tax must be used within the district to fund services. In addition to the tax revenue, the district receives a proportional share of the County sales tax revenues. Sales tax is allocated using the ad valorem tax method.

Statutory Right To Serve?

Kara Millonzi, in her Coates’ Canons Blog post, “County Fire Tax Districts” clarifies the question, “do volunteer fire departments have a right to serve a district?”

She comments, “A volunteer or municipal fire department does not have a statutory right to continue to serve a particular district, even if the fire department has incurred significant expense (or even borrowed



money) to fund operating or capital expense to serve the district.”

In short, VFDs serve their specific district by contracted permission from the Board of County Commissioners.

- *County Fire Service Districts* – County Fire Service Districts are similar to Rural Fire Protection Districts. In Union County this represents three districts: Springs Fire Protection District, Waxhaw Fire Protection District, and the Wesley Chapel Fire Protection District.

While the process for establishment differs in that there is no petitioning process and the Board of County Commissioners must obtain permission from impacted municipalities, in practicality there is little difference between County Fire Service Districts and Rural Fire Protection Districts.

The process for establishment, as laid out in NC General Statute Chapter 153A, Article 16, is centered around the recognition of need or special circumstances requiring the district. The limitation on rate is the general limitation, when combined with the County’s general tax rate, at \$1.50 per \$100 of value.

Similarly, the BOCC, even after establishing the district, is not required to levy a special tax rate and may contract with any entity to provide services.

Again, similar to the Rural Fire Protection District, funding derived from this localized tax must be used within the district to fund services. In addition to the tax revenue, the district receives a proportional share of the County sales tax revenues. Sales tax is allocated using the ad valorem tax method.

Response Areas v. Insurance Districts V. Funding Districts:

When considering the nature of providing Fire Prevention and Suppression, it may be helpful to consider the layers like those of a cake.

Funding districts are for the purposes of providing resources or funding, but do not indicate response areas or insurance districts.

It is possible to have multiple response areas and insurance districts within a funding district.

Insurance districts are established to designate portions of fire districts or entire fire districts for the purposes of insurance grading. This process is governed by the Office of the State Fire Marshal of the North Carolina Department of Insurance. The insurance district will dictate the rates paid for property insurance. These insurance districts may stretch beyond the specific funding districts.

Response areas are specified areas for which the VFDs provide services or areas under their contracts for which they are responsible to provide services. There can be multiple response areas within a funding district or insurance districts.

Modifying these three layers could require significant public process. Depending on the specific area, there could be a number of public hearings required as well as deep considerations of the possible funding impact.

It is worth noting and repeating that the 98 other counties in the State use some form of tax based funding structure to fund their fire districts. Union County and Brunswick County stand alone in the fire fee discussion.

It can be argued that Union County currently has a hybrid system of funding and, even in eleven of the thirteen fee districts, the County provides some form of general tax support. Only two fire fee districts are able to support themselves with their fee revenue. Those are Bakers Volunteer Fire Department and Jackson Volunteer Fire Department.

The General Fund supported funding level in FY 2012 was \$382,613 and the adopted FY 2015 funding level was \$1,535,396, four times greater than just four years ago. Based on early discussions and requests, this number will continue to climb in FY 2016.

County funding is used for all different types of items including operating costs, personnel, debt service, capital, and facilities. Each individual VFD is analyzed to establish its specific need before funding is



recommended by the County Manager. Because of limited County resources, the full request is rarely funded.

The Current Challenges Faced by Union County

Armed with an understanding of the core principles and the funding tools, a brief discussion of the current challenges faced by Union County in providing fire prevention and suppression is a worthy undertaking.

It is possible to compartmentalize the specific areas for discussion purposes. The first area for consideration is that of service delivery. The fundamental Volunteer Fire Department Service model is changing and moving away from its historical nature:

- The traditional reliance on volunteers to provide staffing for the VFDs is no longer a viable staffing model. The majority of the VFDs financially compensate their volunteers, whereas other VFDs treat staffing as a professional fire force. Unfortunately, the ability to provide sufficient staffing through volunteerism is no longer there.
- The ability of VFDs to raise revenue through fund raisers has been significantly reduced, resulting in an inability to purchase the equipment needed for fighting fires. There is a significant culture of haves and have-nots in the County relating to equipment. In addition, the changing NFPA standards have rendered equipment obsolete, and left many districts without funds to replace these items.
- Capital equipment, similar to smaller equipment, the age, usability, and efficiency of apparatus varies significantly across the County. Often those VFDs without the necessary resources are unable to replace capital equipment in a timely manner.
- The VFD facilities across the County vary significantly. While some variance can be expected, several VFDs lack the basic level of facilities to operate out of, while others have State of the art facilities, the result being inconsistent services.

Under this current service delivery model there is no standard level of service to be had. The fire response, in both scale and timeliness, will depend on where you are in the County and what specific district you are in. There is not a standard level of service similar to EMS.

Beyond the service delivery model, the County is faced with a funding dilemma. Under the current funding model, as discussed earlier, the County is funding the inability of the fee districts to raise sufficient revenue. The result is a growing, un-sustainable commitment of the General Fund. In addition, under the current funding structure, the have and have-nots culture is further promulgated.

Simply stated, the current funding structure is not sustainable in its current form.

As mentioned earlier, the BOCC has the discretion as to whom they will contract with for fire services. While the current VFDs have contracts, those contracts have very little in the way of protections for the County.

Following the logic as established during the EMS process, the current contracts fail to specify service requirements, financial controls, or other standards, and subsequently require a significant rewrite.

VFD Service Contracts:

The current contracts date to the mid-1990s and were written at a time when the VFDs were transitioning from locally funded organizations. The contracts were written at that time without the expectation of the current level of service requirements.

The VFD service has changed and with that the contracts will now serve a new need, to ensure that a base level of service is provided throughout the County.

The final challenge is the disposition of the Weddington/Providence Fire Services. Based on the action from the Weddington Town Council, the County is evaluating the appropriate course of action. However, if the first four challenges are addressed, the appropriate solution to the Weddington/Providence Fire Services challenge will be evident.



Tools to Solve the Challenges

There are many paths to solve the challenges presented earlier. To be able to digest the options, incremental decisions will help to clarify each component. Staff has prepared several options to consider for laying the ground work to solve the challenges.

- **Funding Options** – as mentioned, the current funding structure is not sustainable. With that in mind there are primarily four ways to proceed.

1. Status Quo – Maintaining the current funding structure will continue to exacerbate the funding challenges and continue to stress the resources of the General Fund. The current funding model will create a greater service disparity across the County. The status quo is not a sustainable option.
2. Eighteen Individual Fire Service Districts – As discussed early on, the BOCC can establish individual fire service districts and provide for localized tax for fire prevention and suppression. In reality this option is not practical as the tax rate in many areas, particularly the more rural areas, would be cost prohibitive for the taxpayer.

In FY 2015, under the individual tax district model, Lane's Creek fire tax would be greater than fifteen cents and Stack Road greater than sixteen cents. The average rate would have been greater than six cents.

In addition to the significantly high tax rate some areas would see, this would not solve the service level disparity.

This model is used by the majority of the counties in the State. It is important to note that the average number of fire districts in the State is just over eleven, while Union County has 18. Under this model the average tax rate is 7.58 cents per \$100 of value, with the highest being 82.5 cents and the lowest being .19 cents.

3. A Hybrid County-Wide Tax Combined with Current Tax Districts – Establishing a countywide General tax for fire service in addition to the current tax districts would

allow for the funding of a base level of service throughout the County.

The Hybrid Version would move toward resolving the disparity of services experienced. The taxpayers in the existing districts would pay additional taxes for heightened levels of service.

In addition, this would be a short-term solution and not a permanent resolution to the sustainability concern as it would continue to foster a haves and have-nots culture amongst the various departments.

This model is used in three counties in the State. The average rate under this model is 4.4 cents per \$100 of value, with the highest being 8 cents and the lowest being .19 cents.

4. Countywide Tax Rate for Fire Services – The final option and perhaps, from an administrative perspective, the most direct implementation is the Countywide Tax Rate for Fire Services.

The Countywide Fire Tax provides for a uniform rate throughout the County and as a result would provide for standardized level of service throughout the County.

The Countywide Fire Tax would provide fire prevention and suppression services in the same way EMS and other public safety services are provided. This would also eliminate all fees and other fire related taxes throughout the County in favor of a single tax rate.

This model represents the most sustainable of the four possibilities as it provides the most flexibility to meet the changing services demands.

Across the State this model is used in three counties, with the highest rate at 7.9 cents per \$100 of value, an average of 4.63 cents, and the lowest at 2 cents. In addition, even at the average tax rate a homeowner of a \$200,000 home would see a savings over their current fire fee. The



estimated rate for Union County in FY 2015 would have been about 3.7 cents, which would put the breakeven home value at about \$265,000, well above the median home value in Union County.

- **Resource Allocation** – To ensure the uniformity of services throughout the County, it is necessary to take a proactive role in resource allocation.

Historically, the County has taken a more passive role in the process of allocating fire resources in the County. With the emergence and success of the modified-zero base budgeting process for the County, there is a need to expand those principles into the VFD funding process.

In addition, given the County is the only unifying organization with accountability for resources, it is incumbent upon the County to have a strategic vision and plan for fire prevention and suppression.

Simply stated, the County must take a more active role in setting standards throughout the County and, like EMS, establishing accountability for service delivery.

The level to which this can be achieved will be based on the funding model decision.

- **New Service Delivery Contracts** – Similar to the EMS contract, the current contracts for fire services are limited in their ability ensure fire protection and suppression.

With this in mind, it is recommended that new contracts be established with the FY 2016 Funding Levels. These contracts should include performance measures and standards, financial assurances, and service levels. Additionally, there should be uniformity across the County concerning the performance and service levels.

The impetus for change in these contracts will be directly related to the level of funding and the resource allocation process. The success of the contracting process will be directly related to the direction on the first two items.

- **Weddington/Providence Path Forward** – Based on the direction concerning the previous three items, staff will evaluate the various options to best protect the County and its residents.

Without knowing how the County will move forward otherwise, it is premature to recommend an appropriate course of action. In addition, it is recommended that the Weddington/Providence Fire Service issue not drive the discussion of County-wide services.

The outcome from the specific discussion and direction of funding, allocation, and contracts, will provide a foundation for a solution. It would be a disservice to the remainder of the County to allow the figurative “tail to wag the dog.”

Final Thoughts

Fire Services in Union County are at a crossroads. The current service delivery model fails to ensure core foundational principles are met. The current service delivery model must change to ensure:

- *Uniformity of Base Level of Service Regardless of Density,*
- *Uniformity of Base Level of Service Regardless of the Ability to Pay,*
- *Fire Protection and Suppression is Part of the Total Public Safety Effort of Union County,*
- *Funding Methods and Levels are Determined by the Board of County Commissioners, and*
- *Adequate Staffing, Equipment, and Facilities.*

This change will be challenging and there are a number of specific details to work out. However, until specific direction is provided a full implementation plan cannot be developed.

