
Preface

In response to the Transylvania County Board of Commissioners request to explore options for providing quality standardized fire and rescue services in a cost-efficient and equitable manner. The County Emergency Services Staff developed this document outlining the statutory authority and potential options for funding fire and rescue services by county governments in North Carolina. The document is intended to provide the Board of Commissioners with statutorily approved methods for funding fire and rescue services and allow the Board of Commissioners to garner input from stakeholders and citizens before deciding on the method that best serves the interest of Transylvania County citizenry and supports quality fire and rescue services in all areas of the County. Method of funding does not change the approval process or amount Commissioners approve for each fire department. Regardless of funding method, the county would continue to contract with local fire departments to provide fire and rescue services under the current contract arrangements.

The staff acknowledges portions of the material in this document is acquired from information published by the UNC School of Government, specifically Kara, A. Millonzi, information from the emergency services draft study report and process, and conversations with Kara Millonzi. Staff also reviewed information from the North Carolina Office of State Fire Marshal including results from a recent project by the department to collect data on various funding methods currently being utilized in North Carolina.

Summary of Responsibility

It is important to note that there is no statutory requirement for provision of fire protection services in North Carolina. However, it is broadly believed that the provision of fire, rescue and EMS services are an integral part and responsibility of local government entities. The types and level of services provided by County governments vary significantly among counties across the State. In fact, in many cases, the types and level of services vary significantly within each individual county and there is no statutory obligation to ensure types of services, service level and cost for services are consistent on a countywide basis.

While no statutory requirement exists requiring standardization of services and/or cost across counties or within a county boundary, the provision of standardized fire and rescue services along with equitable cost for these services within a political sub-division has become a trend in recent years with counties exploring and implementing options to provide standardized service levels and funding methods. Currently approximately half of the counties use methods that tax each citizen at the same rate according to data from the NC OSFM. County Boards of Commissioners have significant latitude in providing funding through various taxation methods but are limited in use of fees without special legislation. Given this, staff outlines in this

document methods that may be enacted by the County Board of Commissioners to fund fire and rescue services along with the pros and cons, as determined by staff, for each method. The staff acknowledges that other methods may be available and encourages stakeholders to share other potential methods that staff may have overlooked.

Option A: Current Funding Method in Transylvania County (Fire Service District Tax)

Transylvania County established Service Districts for the provision of fire protection services in the unincorporated areas of Transylvania County as authorized by General Statute of North Carolina, Chapter 153A. Currently, there are a total of eight service districts established at different times to provide fire protection services. During the recent Emergency Services Study process, staff identified concerns with the wording in the Resolutions establishing the current service districts. This was discussed with Kara Millonzi, professor at the UNC School of Government. She recommended updates to the current resolutions to specify the purpose for the established service district including fire protection and rescue services. Approximately 8 counties currently use the service district funding method according to NC OSFM data. This does not include counties who use this method along with other funding methods for a combination approach.

Current Service District	Property Valuation	Fire Tax Rate	Department Budget
Sylvan Valley 2	864,500,000	0.0550	\$473,000 (SV2 only)
Rosman	455,200,000	0.1159	\$524,904
Little River	498,500,000	0.0911	\$451,994
Connestee	926,300,000	0.0767	\$707,212
Cedar Mountain	141,500,000	0.1378	\$194,000 (CM only)
Lake Toxaway	1,637,500,000	0.0479	\$780,343
Balsam Grove	89,000,000	0.1098	\$98,227
North Transylvania	123,500,000	0.1279	\$160,200

The Transylvania County service districts have no independent authority and are established and maintained by the County and is under the control of the Transylvania County Board of Commissioners. County service districts are reasonably easy to establish and do not require a petition from affected property owners or a special referendum. The requirements for establishing a Service District are found in NCGS 153A-302. The maximum rate with the district is subject to the general aggregate property tax limit of \$1.50 on each \$100 valuation. Funds collected from service district tax must be utilized for the established purpose of the service district and must be identified in the Resolution establishing the service district.

Pros and Cons of funding fire and rescue services utilizing multiple service districts:

Pros Relatively easy to establish a service district (already established in Transylvania County)

Districts can be modified by Board of Commissioners (must meet statutory requirements)

Tax rate can be adjusted annually by Commissioners based on approved fire department budget requests

Board of Commissioners are statutorily responsible for setting tax rate and authorizing distribution of funds based on each fire department's approved budget request

Districts with high property valuations able to access better equipment and resources including ability to fund staffing while maintaining relatively low tax rate

Cons Variations in property valuations within each service district resulting in inequitable tax rates (Currently 4.79-13.78 cents)

Potential variations in level of service and services provided within each individual service district

Limited ability to address needs in districts with lower property valuations due to revenue shortage without significantly higher tax rates

Unable to utilize fire district funds derived from one district (area within the county) to support needs in areas with lower property valuations (departments are interdependent for mutual aid so if one department can't sustain due to funding it impacts others)

Tax office required to parcel out properties based on respective fire districts and questions on tax bill related to fire district the property lies within

Funding is tied to operational response lines even though mutual aid also applies

Other Options for Funding Fire and Rescue Services

Option B: Rural Fire Protection District (NCGS Chapter 69-25)

A county cannot establish a rural fire protection district unless the county receives a petition signed by 35 percent of the resident freeholders living within the proposed district. However, the establishment of a Rural Fire Protection District and Rural Fire Protection District Tax is an option that is available and utilized in North Carolina counties. Approximately 31 counties use this funding method according to the NC OSFM data and not including counties where this method is used in combination.

The Board of Commissioners may serve as the governing board of the Rural Fire Protection District or appoint a three-member board to serve as such when the district is located within a single county. In most cases, the Board of Commissioners does serve as the governing board but in either case the Board of Commissioners are statutorily responsible for approving fire protection budget and setting the tax rate annually to support fire protection. One distinct difference between Rural Fire Protection Districts and Service Districts in the tax rate limit. In a rural Fire Protection District the tax rate may not exceed 0.15 cents/\$100 valuation.

While the statutory requirements for establishing, altering and abolishing a Rural Fire Protection District differs significantly from a Service District established under NCGS 153A and rate limitations authority differs, they operate basically the same with respect to general principles for determining fire protection cost and setting a fire tax rate to collect funding to support fire

protection services. One important note is that Rural Fire Protection District funds can be utilized for emergency medical, rescue and ambulance.

Pros and Cons of funding fire and rescue services utilizing Rural Fire Protection Districts:

Pros Tax rate can be adjusted annually by Commissioners based on approved fire department budget requests

Board of Commissioners is statutorily responsible for setting tax rate and authorizing distribution of funds

Districts with high property valuations able to access better equipment and resources including ability to fund staffing while maintaining relatively low tax rate

Cons Variations in property valuations within each district resulting in inequitable tax rates

Potential variations in level of service and services provided within each individual service district

Limited ability to address needs in districts with lower property valuations due to revenue shortage without significantly higher tax rates

Unable to utilize funds derived from one district (area within the county) to support needs in areas with lower property valuations (departments are interdependent for mutual aid)

Methods to establish the district requires a petition and referendum that can be costly

More difficult to alter district lines to serve the citizens (improve insurance rates or response areas related to changes in resource / stations in neighboring districts) The money factor impacts best response plans for emergencies

Process for changes to service district lines is more complicated

35% of residents to get referendum is a high bar to achieve

Option C: Fund Fire and Rescue from General Fund (NCGS 153A-149)

The County is expressly authorized to finance fire protection services and fire prevention programs with general property tax proceeds. In the annual budget ordinance, the Board of Commissioners may approve the use of revenue generated by general property tax rate to fund these services in the manner the board chooses. In data provided by the North Carolina Office of State Fire Marshal, thirty-six counties currently fund fire protection either solely with general fund revenue or a combination of other funding options listed and general fund revenue.

Staff asked the County Finance Department to provide an estimated property tax rate increase if the Board of Commissioners chooses to fund fire protection services from property tax proceeds. The Rescue Squad is currently funded in this manner. The estimate utilizes the fiscal year 2018

property valuation, 2018 fire department approved budgets total and the estimated collection rate. Using these numbers as the base would result in a 6 cent rate increase in general fund property tax to fund fire and rescue services because City residents would be taxed along with county only residents. However, the fire tax would be eliminated for a net decrease for most residents in the county outside of the city. The 6 cent for fire and rescue could be reflected on the property tax bill separately or included in the total number. In either case the discretion for disbursement remains with the Board of Commissioners.

Pros and Cons of funding fire and rescue services from General Fund:

Pros Tax rate can be adjusted annually to meet budget needs as approved by Commissioners based on the fire department's budget requests

Board of Commissioners are statutorily responsible for setting tax rate and authorizing distribution of funds based on the fire department's budget requests

Every property owner in the County pays the same rate for fire and rescue services

Funding method is consistent with fire departments dependence on mutual aid from other fire departments in the County. When an incident occurs requiring fire service dispatch, in many cases more than one department responds but the property owner's taxes only go to one of the departments

Removes the money factor/tax valuation limitation when determining the best response plans for emergencies so operational needs drive decisions

Funding fire and rescue from General Fund more easily allows for the County to make sure coverage is equitable and standardized and allows the county to address deficiencies or gaps in coverage areas with a goal of equity to all citizens

A citizen may be in an incident/accident in an area outside his/her home district but the responding district will be the location of the incident

Continue to contract with local fire departments to provide fire and rescue services

Simplify process for tax office and reduce workload

Cons Perception of taking from "rich" to give to "poor" districts

City of Brevard citizens pay City taxes, some of which go to support fire protection in the City Limits. General Fund property taxes tax municipal residents too so this could create a claim of double taxation

Changes creates anxiety and opposition. Perception that change in funding method represents attempt to change current contractual agreements with volunteer fire departments serving their respective communities or take control of operations (Funding method does not give additional authority)

Perceived loss of local volunteer fire department serving its community/district status (although method of collecting funding does not impact that)

A reserve fund is not guaranteed for fire services under this method

Option D: Fund Fire and Rescue utilizing a Single County-Wide Service District and Tax Rate (NCGS 1533-301 and 302)

In recent years, some counties have explored and implemented a method to increase flexibility and establish equitable cost for its citizens county-wide by establishing a county-wide service district for the purpose of funding fire and rescue services. The newly established fire and rescue service district encompasses all of the unincorporated area in the County. The county levies a single tax rate across the entire service district and allocates the revenue to fire/rescue departments based on the approved budgetary needs. The Board of Commissioners must follow the statutory requirements for establishing the county-wide service district found in NCGS 153 A.

Staff asked the County Finance Department to provide an estimated single fire tax rate if the Board of Commissioners chooses to fund fire protection services by establishing a county-wide service district excluding the municipal area. The estimate utilizes the fiscal year 2018 property valuation, 2018 fire department funding total and the estimated collection. Using these numbers as the single county-wide fire tax rate would be 7.23 cents/\$100 valuation to fund fire and rescue services. The current service districts could be abolished, or fire tax rates set at zero in all current service districts. The discretion for disbursement remains with the Board of Commissioners based on approved fire department requests. Approximately 5 counties are using this funding method according to data from NC OSFM not including those that use this method in combination with another.

Pros and Cons of funding fire and rescue services from Single County-Wide Fire Tax Rate:

Pros Tax rate can be adjusted annually to meet budget needs based on approved fire department's budget requests

Board of Commissioners are statutorily responsible for setting service district tax rate and authorizing distribution of funds

Every property owner in the County pays the same rate for fire and rescue services

Funding method represents fire departments dependence on mutual aid from other fire departments in the County. When an incident occurs requiring fire service dispatch, in many cases more than one department responds but the property owner's taxes only go to one of the departments

Removes the tax valuation in a district as the limiting factor when determining the best response plans for emergencies so operations drive decisions

Reserve fund specifically for fire services would be required so that anything collected above approved budgets would be used for fire specifically and no other purpose

The single service district more easily allows for the County to make sure coverage is equitable and standardized and allows the county to address deficiencies or gaps in coverage areas

Method recognizes that a citizen may require service outside of the district in which they live whereas current method has that same paying into a single district

Simplify process for tax office and reduce workload

Continue to contract with local fire departments to provide fire and rescue services

City residents do not pay both city and county for fire services under this funding methods

Cons Perception of taking from “rich” to give to “poor” districts (2 tax district would have an increase in rate and 6 rates would decrease)

Changes creates anxiety and opposition. Perception that change in funding method represents attempt to change current contractual agreements with volunteer fire departments serving their respective communities. It does not change the authority Commissioners currently have to approve fire department budget requests

Perceived loss of local volunteer fire department serving its community/district status (although method of collecting funding does not impact that)

Perception that this is a ‘new’ tax when it is not

Option E (Multiple Scenarios): Fund Fire and Rescue Services utilizing a combination of Current Service District Structure, Rural Fire Protection District, Countywide Service District, General Fund Budget and/or other potential revenue sources (sales tax)

The County Board of Commissioners is authorized to fund fire and rescue services utilizing a combination of service district tax, rural fire protection district tax, a countywide service district, other revenue sources available to the County that are not statutorily limited and/or funds from the general fund budget. Funding methods can be in various forms with the Board of Commissioners establishing the parameters. I have provided two sample options below utilizing a combination method, but other combinations could be utilized by the Board of Commissioners. It is important to note that combinations utilizing multiple service districts or rural fire protection districts limit use of funds collected in the service district and require the current method of parceling by the Tax Administration Department. Based on the data from NC OSFM, some counties use a combination of funding strategies.

1. The Board of Commissioners could establish tax rates in each fire service district to fund fire and rescue services and supplement the service district tax revenue as needed within each district to fund approved fire department needs from the general fund. The service

district tax rates could be set the same in all districts, remain consistent with current fire tax rates or other variations in the tax rates with parameters including a self-imposed maximum fire tax rate in each district at the discretion of the board of commissioners to narrow rate variations countywide.

Pros Tax rate could set annually or establish a consistent equitable fire tax rate and supplement fire department based on annual budget request from general fund

Could help reduce the significant variations in fire tax rates within the county

Provides mechanism to fund fire and rescue needs in districts with low property valuations and revenue generated by fire tax

Cons Fire tax revenue disparity due to variations in property valuations in each district
Citizens still pay varying rates but less variance

Variations in funding needs from general fund to districts to make up difference in funding

Continued parceling required by tax office to ensure tax funds collected are correctly place in fire service district reserve account

Unable to utilize funds derived from one district (area within the county) to support needs in areas with lower property valuations (departments are interdependent for mutual aid)

Funding is tied to operational response lines

2. The Board of Commissioners could utilize a combination of the current service district tax method and overlay a countywide service district and tax excluding the municipal limits to supplement fire protection services. The service district tax rates could be set the same in all districts, remain consistent with current fire tax rates or other variations in the tax rates with parameters including a self-imposed maximum fire tax rate in each district at the discretion of the board of commissioners to narrow rate variations countywide.

Pros Tax rate could set annually or establish a consistent equitable fire tax rate and supplement fire department based on annual budget request from general fund

Could help reduce the significant variations in fire tax rates within the county

Provides mechanism to fund fire and rescue needs in districts with low property valuations and revenue generated by fire tax

Cons Fire tax revenue disparity due to variations in property valuations in each district.
Citizens could still pay different rates for fire service

Variations in funding needs from general fund to districts

Continued parceling required by tax office to ensure tax funds collected are correctly place in fire service district reserve account

Unable to utilize funds derived from one district (area within the county) to support needs in areas with lower property valuations (departments are interdependent for mutual aid)

Funding is tied to operational response lines

Appendix: Legislative References

Option A

General Statute 153A-301, The board of commissioners of any county may define any number of service districts in order to finance, provide, or maintain for the districts one or more of the following services, facilities and functions in addition to or to a greater extent than those financed, provided or maintained for the entire county:

- (1) Beach erosion control and flood and hurricane protection works.
- (2) Fire protection.
- (3) Recreation.
- (4) Sewage collection and disposal systems of all types, including septic tank systems or other on-site collection or disposal facilities or systems.
- (5) Solid waste collection and disposal systems.
- (6) Water supply and distribution systems.
- (7) Ambulance and rescue.
- (8) Watershed improvement projects, including but not limited to watershed improvement projects as defined in Chapter 139 of the General Statutes; drainage projects, including but not limited to the drainage projects provided for by Chapter 156 of the General Statutes; and water resources development projects, including but not limited to the federal water resources development projects provided for by Article 21 of Chapter 143 of the General Statutes.
- (9) Cemeteries.
- (10) Law enforcement if all of the following apply:
 - a. The population of the county is (i) over 900,000 according to the most recent federal decennial census, and (ii) less than ten percent (10%) of the population of the county is in an unincorporated area according to the most recent federal decennial census.
 - b. The county has an interlocal agreement or agreements with a municipality or municipalities for the provision of law enforcement services in the unincorporated area of the county.
 - c. Repealed by Session Laws 2008-134, s. 76(c), effective July 28, 2008.
- (11) Services permitted under Article 24 of this Chapter if the district is subject to G.S. 153A-472.1.

Option B

NCGS Chapter 69-25

Option C

153A-149. Property taxes; authorized purposes; rate limitation.

(a) Pursuant to Article V, Sec. 2(5) of the Constitution of North Carolina, the General Assembly confers upon each county in this State the power to levy, within the limitations set out in this section, taxes on property having a situs within the county under the rules and according to the procedures prescribed in the Machinery Act (Chapter 105, Subchapter II).

(b) Each county may levy property taxes without restriction as to rate or amount for the following purposes:

- (1) Courts. - To provide adequate facilities for and the county's share of the cost of operating the General Court of Justice in the county.
- (2) Debt Service. - To pay the principal of and interest on all general obligation bonds and notes of the county.
- (3) Deficits. - To supply an unforeseen deficiency in the revenue (other than revenues of public enterprises), when revenues actually collected or received fall below revenue estimates made in good faith and in accordance with the Local Government Budget and Fiscal Control Act.
- (4) Elections. - To provide for all federal, State, district and county elections.
- (5) Jails. - To provide for the operation of a jail and other local confinement facilities.
- (6) Joint Undertakings. - To cooperate with any other county, city, or political subdivision in providing any of the functions, services, or activities listed in this subsection.
- (7) Schools. - To provide for the county's share of the cost of kindergarten, elementary, secondary, and post-secondary public education.
- (8) Social Services. - To provide for public assistance required by Chapters 108A and 111 of the General Statutes.

(c) Each county may levy property taxes for one or more of the purposes listed in this subsection up to a combined rate of one dollar and fifty cents (\$1.50) on the one hundred dollars (\$100.00) appraised value of property subject to taxation. Authorized purposes subject to the rate limitation are:

- (1) To provide for the general administration of the county through the board of county commissioners, the office of the county manager, the office of the county budget officer, the office of the county finance officer, the office of the county assessor, the office of the county tax collector, the county purchasing agent, and the county attorney, and for all other general administrative costs not allocated to a particular board, commission, office, agency, or activity of the county.
- (2) Agricultural Extension. - To provide for the county's share of the cost of maintaining and administering programs and services offered to agriculture by or through the Agricultural Extension Service or other agencies.
- (3) Air Pollution. - To maintain and administer air pollution control programs.
- (4) Airports. - To establish and maintain airports and related aeronautical facilities.
- (5) Ambulance Service. - To provide ambulance services, rescue squads, and other emergency medical services.
- (6) Animal Protection and Control. - To provide animal protection and control programs.

- (6a) Arts Programs and Museums. - To provide for arts programs and museums as authorized in G.S. 160A-488.
- (6b) Auditoriums, coliseums, and convention and civic centers. - To provide public auditoriums, coliseums, and convention and civic centers.
- (7) Beach Erosion and Natural Disasters. - To provide for shoreline protection, beach erosion control, and flood and hurricane protection.
- (8) Cemeteries. - To provide for cemeteries.
- (9) Civil Preparedness. - To provide for civil preparedness programs.
- (10) Debts and Judgments. - To pay and discharge any valid debt of the county or any judgment lodged against it, other than debts and judgments evidenced by or based on bonds and notes.
- (10a) Defense of Employees and Officers. - To provide for the defense of, and payment of civil judgments against, employees and officers or former employees and officers, as authorized by this Chapter.
- (10b) Economic Development. - To provide for economic development as authorized by G.S. 158-7.1.
- (10c) Energy Financing. - To provide financing for renewable energy and energy efficiency in accordance with a program established under G.S. 153A-455.
- (11) Fire Protection. - To provide fire protection services and fire prevention programs.
- (12) Forest Protection. - To provide forest management and protection programs.
- (13) Health. - To provide for the county's share of maintaining and administering services offered by or through the local health department.
- (14) Historic Preservation. - To undertake historic preservation programs and projects.
- (15) Hospitals. - To establish, support and maintain public hospitals and clinics, and other related health programs and facilities, or to aid any private, nonprofit hospital, clinic, related facility, or other health program or facility.
- (15a) Housing Rehabilitation. - To provide for housing rehabilitation programs authorized by G.S. 153A-376, including personnel costs related to the planning and administration of these programs. This subdivision applies only to counties with a population of 400,000 or more, according to the most recent decennial federal census.
- (15b) Housing. - To undertake housing programs for low- and moderate-income persons as provided in G.S. 153A-378.
- (16) Human Relations. - To undertake human relations programs.
- (16a) Industrial Development. - To provide for industrial development as authorized by G.S. 158-7.1.
- (17) Joint Undertakings. - To cooperate with any other county, city, or political subdivision in providing any of the functions, services, or activities listed in this subsection.
- (18) Law Enforcement. - To provide for the operation of the office of the sheriff of the county and for any other county law-enforcement agency not under the sheriff's jurisdiction.
- (19) Libraries. - To establish and maintain public libraries.
- (20) Mapping. - To provide for mapping the lands of the county.
- (21) Medical Examiner. - To provide for the county medical examiner or coroner.

- (22) Mental Health. - To provide for the county's share of the cost of maintaining and administering services offered by or through the area mental health, developmental disabilities, and substance abuse authority.
- (23) Open Space. - To acquire open space land and easements in accordance with Article 19, Part 4, Chapter 160A of the General Statutes.
- (24) Parking. - To provide off-street lots and garages for the parking and storage of motor vehicles.
- (25) Parks and Recreation. - To establish, support and maintain public parks and programs of supervised recreation.
- (26) Planning. - To provide for a program of planning and regulation of development in accordance with Article 18 of this Chapter and Article 19, Parts 3A and 6, of Chapter 160A of the General Statutes.
- (26a) Ports and Harbors. - To participate in programs with the North Carolina Ports Authority and provide for harbor masters.
- (27) Public Transportation. - To provide public transportation by rail, motor vehicle, or another means of conveyance other than a ferry, including any facility or equipment needed to provide the public transportation. This subdivision does not authorize a county to provide public roads in the county in violation of G.S. 136-51.
- (27a) Railway Corridor Preservation. - To acquire property for railroad corridor preservation as authorized by G.S. 160A-498.
- (28) Register of Deeds. - To provide for the operation of the office of the register of deeds of the county.
- (28a) Roads. - To provide for the maintenance of county roads as authorized by G.S. 153A-301(d).
- (29) Sewage. - To provide sewage collection and treatment services as defined in G.S. 153A-274(2).
- (30) Social Services. - To provide for the public welfare through the maintenance and administration of public assistance programs not required by Chapters 108A and 111 of the General Statutes, and by establishing and maintaining a county home.
- (31) Solid Waste. - To provide solid waste collection and disposal services, and to acquire and operate landfills.
- (31a) Stormwater. - To provide structural and natural stormwater and drainage systems of all types.
- (32) Surveyor. - To provide for a county surveyor.
- (33) Veterans' Service Officer. - To provide for the county's share of the cost of services offered by or through the county veterans' service officer.
- (34) Water. - To provide water supply and distribution systems.
- (35) Watershed Improvement. - To undertake watershed improvement projects.
- (36) Water Resources. - To participate in federal water resources development projects.
- (37) Armories. - To supplement available State or federal funds to be used for the construction (including the acquisition of land), enlargement or repair of armory facilities for the North Carolina National Guard.

Option D
NCGS 153-301 and 302