

Hernando County, FL

Fire Rescue MSBU/MSTU Update Study

FINAL REPORT

June 28, 2023

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Mr. Jeffrey Rogers, P.E.
County Administrator
Hernando County, Florida
15470 Flight Path Drive
Brooksville, FL 34604

Subject: Final Report - Fire Rescue MSBU/MSTU Update Study

Dear Mr. Rogers,

Raftelis Financial Consultants, Inc. (Raftelis) is pleased to provide this Final Report for the Fire Rescue MSBU/MSTU Update Study for Hernando County, TX (County). The major objectives of the Study included the following:

- Update the current Municipal Service Benefit Unit (MSBU) assessments and fees,
- Update the Municipal Service Taxing Unit (MSTU) tax rate for Fire Rescue services,
- Update the current Fire Inspection Fee, and
- Update the current Ambulance Transport Fee.

The report describes our analyses and discusses the key findings and recommendations.

It has been a pleasure working with you, and we thank you and County staff for the support provided during this study.

Sincerely,



Michael Burton
Executive Vice President

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1. Introduction

Raftelis Financial Consultants, Inc (Raftelis) was engaged by Hernando County, FL (County) to update the County's current Fire Rescue Municipal Service Benefit Unit (MSBU) and Municipal Service Taxing Unit (MSTU) and to also update the County's current Commercial Fire Inspection Fee and Ambulance Transport Fee. This report provides a summary of the analysis, results and recommendations of the Study.

1.1. Background

Hernando County provides Fire Rescue services to its citizens and funds the fire operations through an MSBU, which includes a fire inspection fee for commercial properties, and the County funds emergency medical services (EMS) through an MSTU and a separate ambulance transport fee.

The current MSBU assessment rates have not been fully updated for a number of years and the basis of allocation of the assessments to property classes, which is calls-for-serve, has shifted considerably since the last update over 20 years ago. The current MSTU tax rates have also not been adjusted for a number of years and this analysis is to update the MSTU tax rates based upon current costs of emergency medical services (EMS).

1.2. Scope of the Study

The analysis conducted during this study included the following:

- Review and update, as required, the allocation of costs of the County's Fire Rescue operation between fire/first responder services and emergency management services (EMS) to be recovered through the MSBU and the MSTU respectively.
- **For the MSBU:**
 - Develop a ten-year projection of the revenue requirements of the Fire Rescue MSBU
 - Determine a plan of annual assessment revenue increases that will provide sufficient revenues in each year of the five year projection period to cover all of the Fire Rescue expenses allocated to the MSBU,
 - Update the allocation of calls-for-service to property classes,
 - Determine a plan of assessment rate increases to individual property classes based upon the above determined annual revenue requirements and the re-allocation of costs to property classes based upon an update calls-for-service analysis,
 - For each of the above, determine annual assessment revenue increases and assessment rates based upon the calls-for-service reallocation. All analysis assumes that 1) capital costs for FY24 will be funded within the MSBU with MSBU debt, and capital costs for FY25 - FY28 will be funded outside of the MSBU with a general obligation (GO) bond.
- **For the MSTU:**
 - Develop a five-year projection of the revenue requirements of the Fire Rescue MSTU
 - Determine a plan of across-the-board increases in the MSTU tax rate that will provide sufficient revenues in each year of the five year projection period to cover all of the Fire Rescue expenses allocated to the MSTU

- All analysis assumes that 1) capital costs for FY24 will be funded within the MSTU with MSTU debt, and capital costs for FY25 - FY28 will be funded outside of the MSTU with a general obligation (GO) bond.
- **For both the MSBU and the MSTU**
 - Conduct several interactive review sessions with County staff with the MSBU and MSTU models open and the graphical results presented on the viewing screen,
 - Make adjustments to the analysis based upon the input of County staff during these review sessions,
 - Prepare this report of the results of the study
 - Present the results to the Board of County Commissioners (BOCC) in a workshop
 - Make adjustments to the analysis and this report if required based upon input from the BOCC.
 - Prepare an MSBU assessment roll and a MSTU tax roll,
 - Attend two public hearings to present the results of the study.

1.3. Study Objectives

The objectives of the Study were as follows:

- **For the MSBU:**
 - Develop a ten-year projection of the revenue requirements of the Fire Rescue MSBU,
 - Determine a plan of across-the-board increases in the assessment rates that will provide sufficient revenues in each year of the five year projection period to cover all of the Fire Rescue expenses allocated to the MSBU,
 - Assume that 1) capital costs for FY24 will be funded within the MSBU with MSBU debt, and capital costs for FY25 - FY28 will be funded outside of the MSBU with a general obligation (GO) bond.
 - Update the allocation of calls-for-service to property classes,
 - Determine a plan of assessment rate increases to individual property classes based upon the above determined annual revenue requirements and the re-allocation of costs to property classes based upon an update calls-for-service analysis.
- **For the MSTU**
 - Develop a five-year projection of the revenue requirements of the Fire Rescue MSTU,
 - Determine a plan of MSTU tax revenue increases that will provide sufficient revenues in each year of the five year projection period to cover all of the Fire Rescue expenses allocated to the MSTU,
 - Assume that 1) capital costs for FY24 will be funded within the MSTU with MSTU debt, and capital costs for FY25 - FY28 will be funded outside of the MSTU with a general obligation (GO) bond.

- **For Both the MSBU and the MSTU:**

- Review the analysis and results of the Study with County staff, administration and the Board of County Commissioners (BOCC),
- Determine recommended FY24 assessment rates by property class for the MSBU and the recommended FY24 tax rate for the MSTU,
- Attend public hearings for adoption of the recommended assessment rates for the MSBU and the recommended tax rate for the MSTU.

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2. Allocation of Fire Rescue Costs to Fire (for the MSBU) and EMS (for the MSTU)

The first step in this project was to evaluate the allocation of Fire Rescue costs to the MSBU and the MSTU. We evaluated the County’s budgeted expenses for Fire and EMS and determined the following:

Hernando County			
Allocation of FY24 Expenses to Fire and EMS			
	<u>Fire</u>	<u>EMS</u>	<u>Total</u>
FY23 O&M Budget Adjusted	\$34,736,485	\$20,939,155	\$55,675,641
Allocation	62.39%	37.61%	
CIP	\$7,800,000	\$5,200,000	\$13,000,000
Allocation	60.00%	40.00%	
Total O&M and CIP	\$42,536,485	\$26,139,155	\$68,675,641
Allocation	61.94%	38.06%	

Based upon our evaluation and discussions with County staff regarding the allocation, we believe that the current budget allocations to Fire/First Responder and EMS are reasonable.

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3. MSBU Analysis, Results and Recommendations

3.1. Background

The County's Fire Rescue Municipal Service Benefit Unit (MSBU) funds Fire Rescue services, which include first responder services, and is funded by a non-ad valorem special assessment to properties within boundaries of the MSBU. Florida State Statutes and case law, discussed in the following section, have established that the development of a non-ad valorem assessment to fund fire protection requires that the services and facilities for which properties are to be assessed confer a special benefit upon the property burdened by the special assessment. Simply stated, there must be a logical relationship between the services and facilities provided and the benefit to real property assessed.

In addition, the costs associated with providing the services and facilities must be reasonably allocated to the properties that receive a benefit from fire protection service in proportion to the benefit received. Therefore, the recommended MSBU Assessments for Fire Rescue service were developed such that the costs incurred by the County in providing fire protection service will be recovered through assessments to properties in proportion to the benefit received by the demand for service as reflected in the calls for service from each property class.

This section describes the methodology used to develop the MSBU Fire Rescue Assessments in this report. The first section discusses relevant Florida Law regarding Special Non-ad Valorem Assessments, followed by sections discussing how Florida Law has been applied to the determination of special benefit and the apportionment of the annual revenue requirements of the Fire Rescue Assessment to benefitting properties.

3.2. Summary of Florida Law Governing Special Assessments

This section discusses relevant Florida Law regarding special non-ad valorem assessments as it relates to the County's MSBU Fire Rescue Assessment program. There are two requirements in Florida law, special benefit and proportional benefit, which are discussed in this section.

Special non-ad valorem assessments are a revenue source available to local governments in Florida to fund operations and maintenance expenses as well as capital improvements for essential services such as roads, drainage, Fire Rescue services, utilities, etc. Florida case law has established two requirements for the imposition of a non-ad valorem special assessment. These two requirements have become known as the two pronged test. They are 1) property assessed must derive a special benefit from the improvement, service or facilities provided, and 2) the assessment must be fairly and reasonably apportioned among the properties that receive the special benefit.

3.3. Proportional Benefit

It is well settled under Florida law that local governments are afforded great latitude regarding legislative determinations of special benefit and that reasonable apportionment of benefits is a legislative function, and that legislative determinations of benefit and apportionment will be upheld unless the determination is arbitrary – that is, if reasonable persons may differ as to whether the land assessed was benefitted by the local improvement, the findings of the County officials must be sustained. It has also been determined by case law that the manner of the assessment is immaterial and may vary, as long as the amount of the assessment for each tract is not in excess of the proportional benefits as compared to other assessments on other tracts. Accordingly, while any number of methodologies may be available for a given service or improvement, the community imposing the assessment is at liberty to select the methodology which provides the best fit in terms of local needs and circumstances.

3.4. Special Benefit – The First Prong of the Two-Pronged Test

Based upon discussions with County staff about the extent and nature of the Fire Rescue Services provided, we have concluded that all parcels within the County receive a special benefit from the availability of Fire Rescue Services provided by the County, because the Fire Rescue resources are maintained throughout the County at the same state of response readiness and availability to all parcels.

In considering special benefit, it is important to consider that the County maintains its Fire Rescue resources at a level that provides a response readiness condition to respond to calls for service throughout the County at relatively equal levels of service. When needed, responses are made to calls for service without discrimination as to the property type, size, location within the County, or any other factors specific to the property requiring the service. Therefore, all developed properties receive a special benefit from the County's Fire Rescue Service. The special benefits provided to all improved parcels by the availability of Fire Rescue Service provided by the County include:

- Availability of immediate response to fire,
- First responder medical aid to protect the life and safety of occupants,
- Containment of liability for emergency incidents on the subject parcels and the spread of fires to other property,
- Enhanced property value, and
- Enhanced marketability of property.

Therefore, the first prong of the two pronged test (the property burdened by the assessment must derive a special benefit from the service provided by the assessment) is met because all developed properties in the County receive a special benefit from the availability of the County-wide Fire Rescue service provided by the County.

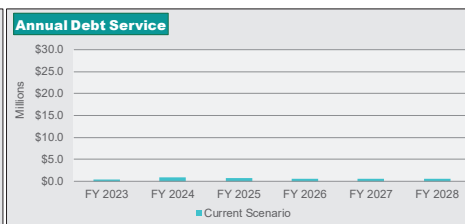
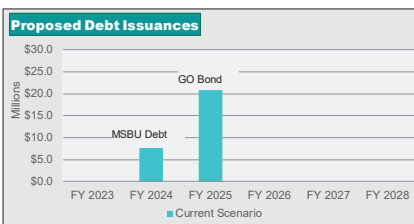
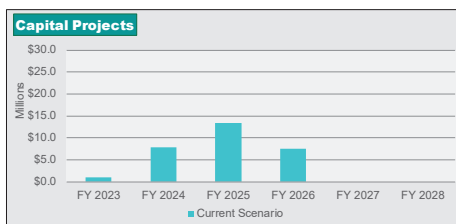
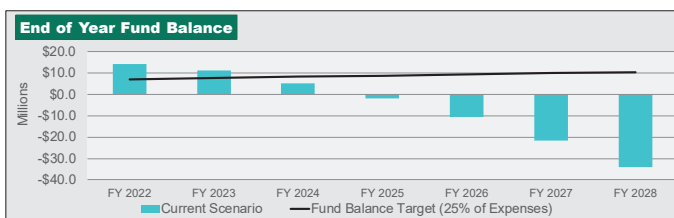
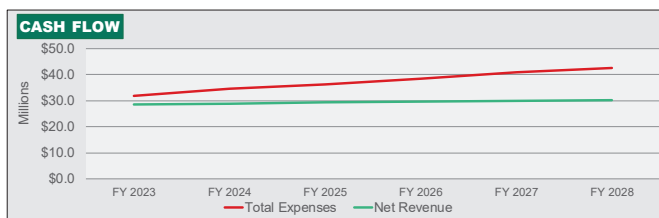
3.5. Fair Apportionment – The Second Prong of the Two-Pronged Test

In considering the assessment methodology, the second prong of the two pronged test requires that the costs of the assessment must be fairly and reasonably apportioned among the properties that receive the special benefit. The Fire Rescue services apportionment methodology used in this study allocates assessable costs on the basis of the demand for fire rescue services by classes of real property use as identified on the real property assessment roll prepared for the levy of ad valorem taxes. The assessable Fire Rescue costs are allocated among real property use categories based upon the historical demand for these services. This demand is identified by examining the past three years of fire rescue incident/calls for fire and first responder service data for the County.

3.6. Revenue Sufficiency Analysis

We developed a five year financial plan for the MSBU. Based upon that plan we developed a Status Quo Scenario that showed that the MSBU revenues are projected to be insufficient to cover all of the MSBU expenses. Our baseline assumption for the projections was that capital costs for FY24 will be funded within the MSBU with MSBU debt, and capital costs for FY25 - FY28 will be funded outside of the MSBU with a general obligation (GO) bond. A summary of revenues and expenses under the status Quo Scenario is presented below and a graphical depiction of the financial plan for the MSBU is shown on the following page. If no increases in MSBU assessment rates are made, the net cash flow of the MSBU is negative in FY24 and becomes increasingly more negative throughout the projection period, as can be seen in the table below and the graph on the following page. A detailed schedule supporting these graphs is presented in the Appendix.

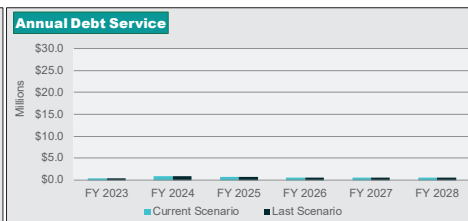
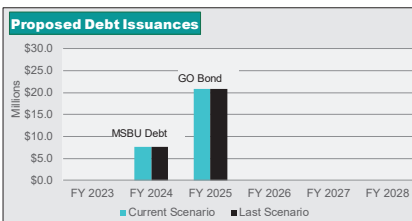
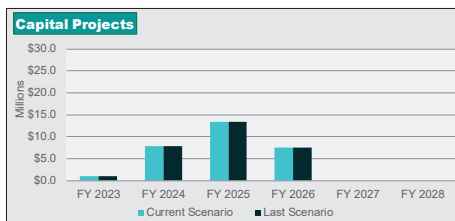
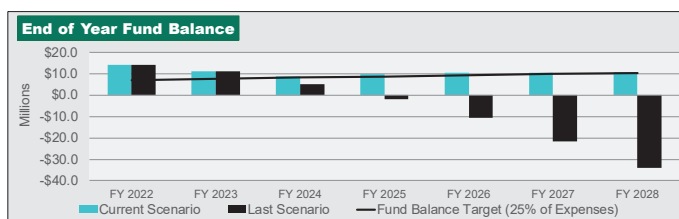
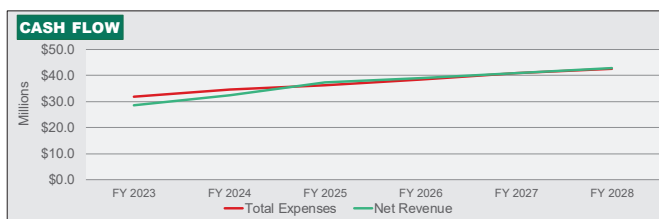
	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Assessment Revenue Apportioned	\$ 25,495,297	\$ 27,041,952	\$ 27,419,609	\$ 27,733,128	\$ 28,046,647	\$ 28,360,165
Base Fee (1)	\$ 3,054,302	\$ 1,889,605	\$ 1,915,994	\$ 1,937,902	\$ 1,959,809	\$ 1,981,717
Comm. Fire Inspection Fee (1)	\$ 426,213	\$ 435,690	\$ 441,775	\$ 446,826	\$ 451,877	\$ 456,929
Billed Assessment Revenues	\$ 28,975,811	\$ 29,367,246	\$ 29,777,378	\$ 30,117,855	\$ 30,458,333	\$ 30,798,811
Less: Discount for 95% Revenue (2)	\$ (1,448,791)	\$ (1,468,362)	\$ (1,488,869)	\$ (1,505,893)	\$ (1,522,917)	\$ (1,539,941)
Total Assessment Revenue	\$ 27,527,021	\$ 27,898,884	\$ 28,288,509	\$ 28,611,963	\$ 28,935,417	\$ 29,258,870
Plus: Other Revenue	\$ 1,141,022	\$ 1,004,500	\$ 1,004,500	\$ 1,004,500	\$ 1,004,500	\$ 1,004,500
Total MSBU Revenues	\$ 28,668,043	\$ 28,903,384	\$ 29,293,009	\$ 29,616,463	\$ 29,939,917	\$ 30,263,370
Total Expenses	\$ 31,892,653	\$ 34,736,485	\$ 36,278,240	\$ 38,441,990	\$ 40,999,717	\$ 42,491,565
Net Income	\$ (3,224,610)	\$ (5,833,101)	\$ (6,985,232)	\$ (8,825,527)	\$ (11,059,801)	\$ (12,228,195)
% Rate Revenue Increase	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% New Development Growth		1.416%	1.397%	1.143%	1.130%	1.118%



As the above graph shows, with the current schedule of assessment rates, the MSBU has a cash flow deficit that grows each year throughout the five year projection period, as can be seen in the graph in the upper left in the above figure. The consequence of that annual cash flow deficit is that the fund balance is depleted by the amount of the cash flow deficit each year as can be seen in the upper right graph in the above figure. As can be seen in the graph, the fund balance will be depleted such that it goes below the minimum fund balance target, the black line which represents 25% of expenses (including fleet leases but excluding debt service), in FY24 and will go below zero in FY25 – FY28 if assessment rates are not increased to preserve the fund balance.

We then determined a plan of annual increases to the MSBU assessment revenues that will provide sufficient revenues to fund all of the MSBU’s expenses and maintain a fund balance at or slightly above the minimum fund balance target, which is shown below, followed by the graphical depiction of the financial plan resulting from implementation of the rates shown. We developed two alternative plans as follows: 1) A plan with one large increase in FY24 and annual inflationary increases of 3.5% thereafter, and 2) A plan that spreads the large increase over FY24 and FY25 and annual inflationary increases of 3.5% thereafter. After presentation of these alternatives to the Board of County Commissioners (BOCC) in a workshop on June 6, 2023, the BOCC directed the County Administrator to prepare the second alternative for consideration for adoption at the Public Hearing scheduled for July 11, 2023. This alternative is presented below:

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Assessment Revenue Apportioned	\$ 25,495,297	\$ 30,814,572	\$ 35,619,204	\$ 37,287,405	\$ 39,028,746	\$ 40,846,304
Base Fee (1)	\$ 3,054,302	\$ 1,889,605	\$ 2,184,233	\$ 2,286,530	\$ 2,393,312	\$ 2,504,768
Comm. Fire Inspection Fee (1)	\$ 426,213	\$ 435,690	\$ 503,623	\$ 527,210	\$ 551,831	\$ 577,530
Billed Assessment Revenues	\$ 28,975,811	\$ 33,139,866	\$ 38,307,061	\$ 40,101,145	\$ 41,973,889	\$ 43,928,602
Less: Discount for 95% Revenue (2)	\$ (1,448,791)	\$ (1,656,993)	\$ (1,915,353)	\$ (2,005,057)	\$ (2,098,694)	\$ (2,196,430)
Total Assessment Revenue	\$ 27,527,021	\$ 31,482,873	\$ 36,391,708	\$ 38,096,088	\$ 39,875,195	\$ 41,732,172
Plus: Other Revenue	\$ 1,141,022	\$ 1,004,500	\$ 1,004,500	\$ 1,004,500	\$ 1,004,500	\$ 1,004,500
Total MSBU Revenues	\$ 28,668,043	\$ 32,487,373	\$ 37,396,208	\$ 39,100,588	\$ 40,879,695	\$ 42,736,672
Total Expenses	\$ 31,892,653	\$ 34,736,485	\$ 36,278,240	\$ 38,441,990	\$ 40,999,717	\$ 42,491,565
Net Income	\$ (3,224,610)	\$ (2,249,112)	\$ 1,117,967	\$ 658,598	\$ (120,023)	\$ 245,107
% Rate Revenue Increase	0.0%	14.0%	14.0%	3.5%	3.5%	3.5%
% New Development Growth		1.416%	1.397%	1.143%	1.130%	1.118%



In the graphs above the black bars represent the results of the Status Quo Scenario, and the blue bars represent the results of the recommended rate plan. As the above graphs show, with the proposed assessment rate revenue increases, the MSBU is projected to have sufficient cash flow such that the fund balance is projected to be maintained equal to or slightly more than the target fund balance as can be seen in the upper right graph in the above figure.

3.7. Five-Year Projection of Revenues and Expenses for the MSBU

The schedule on the following page presents the five-year projection of revenues and expenses for the MSBU based upon the recommended rates presented in the prior sections.

MSBU Projection of Revenues and Expenses
Assumes Recommended MSBU Assessment Rates

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Revenues						
Billed Assessment	\$ 28,975,811	\$ 33,139,866	\$ 38,307,061	\$ 40,101,145	\$ 41,973,889	\$ 43,928,602
Discount for Early Payment	\$ (1,448,791)	\$ (1,656,993)	\$ (1,915,353)	\$ (2,005,057)	\$ (2,098,694)	\$ (2,196,430)
Payment to PA and TC						
Non Ad Valorem Assmt	\$ 27,527,021	\$ 31,482,873	\$ 36,391,708	\$ 38,096,088	\$ 39,875,195	\$ 41,732,172
Permits - Fire Inspection	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000
Other Non-Operating	\$ 938,022	\$ 801,500	\$ 801,500	\$ 801,500	\$ 801,500	\$ 801,500
Charges for Service	\$ 98,000	\$ 98,000	\$ 98,000	\$ 98,000	\$ 98,000	\$ 98,000
Grants & Aid	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000
Interest & Investment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers In	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenues	\$ 28,668,043	\$ 32,487,373	\$ 37,396,208	\$ 39,100,588	\$ 40,879,695	\$ 42,736,672
O&M and Non-O&M Expenses						
Personal Services	\$ 21,631,820	\$ 24,208,559	\$ 25,276,518	\$ 27,219,844	\$ 29,240,904	\$ 30,410,540
Operating Expenses	\$ 5,022,545	\$ 5,225,607	\$ 5,495,830	\$ 5,660,705	\$ 5,841,922	\$ 5,987,970
Non-Operating Expenses	\$ 2,426,330	\$ 2,486,303	\$ 2,541,557	\$ 2,590,146	\$ 2,632,738	\$ 2,676,239
Subtotal Expenses	\$ 29,080,695	\$ 31,920,468	\$ 33,313,905	\$ 35,470,695	\$ 37,715,564	\$ 39,074,749
Debt Service						
Existing Debt Service	\$ 414,260	\$ 451,017	\$ 383,273	\$ 235,889	\$ 235,581	\$ 235,270
New Long Term Debt Service	\$ -	\$ 417,572	\$ 417,572	\$ 417,572	\$ 417,572	\$ 417,572
New Short Term Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Existing Fleet Leases	\$ 888,998	\$ 888,998	\$ 888,998	\$ 888,998	\$ 888,998	\$ 888,998
New Vehicle Leases	\$ -	\$ 430,182	\$ 748,456	\$ 887,019	\$ 1,186,640	\$ 1,305,729
Total Debt Service	\$ 1,303,258	\$ 2,187,769	\$ 2,438,299	\$ 2,429,478	\$ 2,728,790	\$ 2,847,569
Cash Funded Capital						
Minor Capital Outlay	\$ 488,700	\$ 508,248	\$ 526,037	\$ 541,818	\$ 555,363	\$ 569,247
PAYGO Capital	\$ 1,020,000	\$ 120,000	\$ -	\$ -	\$ -	\$ -
Total Cash Funded Capital	\$ 1,508,700	\$ 628,248	\$ 526,037	\$ 541,818	\$ 555,363	\$ 569,247
Total Expenses	\$ 31,892,653	\$ 34,736,485	\$ 36,278,240	\$ 38,441,990	\$ 40,999,717	\$ 42,491,565
Net Cash Flows	\$ (3,224,610)	\$ (2,249,112)	\$ 1,117,967	\$ 658,598	\$ (120,023)	\$ 245,107
Beginning Fund Balance	\$ 14,257,319	\$ 11,032,709	\$ 8,783,596	\$ 9,901,564	\$ 10,560,162	\$ 10,440,139
Net Cash Flows	\$ (3,224,610)	\$ (2,249,112)	\$ 1,117,967	\$ 658,598	\$ (120,023)	\$ 245,107
Ending Fund Balance	\$ 11,032,709	\$ 8,783,596	\$ 9,901,564	\$ 10,560,162	\$ 10,440,139	\$ 10,685,246
Fund Balance Target % of Operating Expenses	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Fund Balance Target \$	\$ 7,492,423	\$ 8,309,912	\$ 8,737,840	\$ 9,311,678	\$ 9,947,800	\$ 10,317,369
Fund Balance Surplus/(Deficit)	\$ 3,540,285	\$ 473,684	\$ 1,163,724	\$ 1,248,484	\$ 492,339	\$ 367,877
Net Revenue Requirement						
Operating Expenses	\$ 29,080,695	\$ 31,920,468	\$ 33,313,905	\$ 35,470,695	\$ 37,715,564	\$ 39,074,749
Debt Service	\$ 1,303,258	\$ 2,187,769	\$ 2,438,299	\$ 2,429,478	\$ 2,728,790	\$ 2,847,569
Cash Funded Capital	\$ 1,508,700	\$ 628,248	\$ 526,037	\$ 541,818	\$ 555,363	\$ 569,247
Less: Non Assessment Revenues	\$ (1,141,022)	\$ (1,004,500)	\$ (1,004,500)	\$ (1,004,500)	\$ (1,004,500)	\$ (1,004,500)
Less: Allocated Admin Costs (Included in Base Fee)	\$ (3,054,302)	\$ (1,889,560)	\$ (1,944,330)	\$ (1,992,489)	\$ (2,034,713)	\$ (2,077,836)
Net Revenue Requirement for Assessment	\$ 27,697,329	\$ 31,842,426	\$ 33,329,410	\$ 35,445,001	\$ 37,960,505	\$ 39,409,229

3.8. Allocation of Revenue Requirement to Property Classes and Calculation of Rates by Property Class

Once the percentage rate revenue increase, and resultant assessment revenue requirement, was established for FY24 as discussed in Section 3.6, Revenue Sufficiency Analysis, we then developed specific assessment rates by property class to recover the revenue requirement of the MSBU with the percentage increase above applied to the MSBU assessment revenue requirement for FY24. This first required determination of proper allocation of the revenue requirement to property class, which was achieved by conducting a calls-for-service analysis. This analysis is described in the following section.

3.9. Calls-for-Service

It has been well settled by Florida case law that allocation of assessment revenue requirements to specific property classes can be accomplished by a detailed calls-for-service analysis. We conducted such an analysis to allocate the FY24 assessment revenue requirement to property classes.

We first determined that the following property classes and the units of measure for their assessment are used in the current MSBU assessment. These property classes and units of measure were used in our calls-for-serve analysis and specific assessment rates per unit of measure were developed for each of these property classes.

- Vacant Land & Acreage per Parcel
- Residential per Unit
- Commercial Buildings per Sq Ft
- Hospitals & Nursing Homes per Sq Ft
- Industrial/Warehouse/Govt per Sq Ft
- Agricultural Buildings per Sq Ft
- Places of Worship per Sq Ft

In order to conduct the calls-for-service analysis, the County provided us with the last three years of call data as the source of the analysis. We determined to use weighted calls in our allocation. Weighted calls are the actual calls to each property class weighted by the resources deployed on each call. For instance, a call in which one truck and crew were deployed would carry less weight that a call in which two trucks and crew were deployed. The objective was to allocate the revenue requirements in proportion to the resources used to respond to actual calls to each property class. The results of the calls-for-service analysis are presented below:

Applicable Property Categories	Weighted Fire/First Responder	Weighted
Vacant Land & Acreage	44	1.285%
Residential Units	2,875	84.332%
Commercial Buildings	258	7.561%
Hospitals & Nursing Homes	90	2.640%
Industrial/Warehouse/Govt	132	3.872%
Agricultural Buildings	-	0.000%
Places of Worship	11	0.311%
Total	3,409	100%

The percentages under the column titled “Weighted” were then used to allocate the FY24 assessment revenue requirement to the above property classes.

3.10. Base Fee

The current MSBU assessment includes a base fee which is charged equally per parcel to all parcels regardless of their class. In the current assessment the base includes certain admin costs as well as debt service and fleet leases. It is our determination that a base fee should only include admin costs, so in our calculation of the base fee we have excluded debt service and fleet leases from the base fee calculation, and only included admin costs. Those excluded costs were included in the assessment revenue allocation to property classes based upon the above described calls-for-service analysis and therefore were included in the assessment rates for each property class. The current base fee is \$28.87 per parcel and the recommended base fee is \$17.86 per parcel.

3.11. Commercial Fire Inspection Fee

The current MSBU assessment includes a Commercial Fire Inspection fee for all commercial properties. We met with County Fire Inspection officials to determine the current cost of making commercial fire inspections. Our analysis considered the personnel involved, their hourly compensation including fringe benefits, and the vehicles used for each inspection.

The current MSBU assessment includes a commercial inspection cost for all non-residential properties per 10,000 sq. ft. of building space. The current fee is \$137.93 per 10,000 sq. ft. for each 10,000 sq. ft. of building space. After discussing the process with County Fire Inspection personnel, we determined that the Commercial Fire Inspection Fee should be increased to \$141.00 per 10,000 sq. ft.

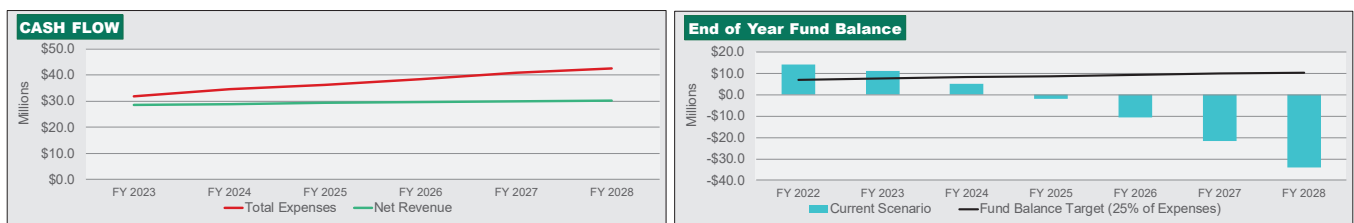
The detailed calculation is presented in the appendix and the summary results of this analysis are presented below.

<u>Specific Service Fees</u>	<u>Calculated Fee</u>	<u>Fee @ Percent Cost Recovery</u>	<u>Current Fee</u>	<u>% Change</u>
Percent Cost Recovery		100%		
Commercial Fire Inspection Fee (1):				
First 10,000 sq. Ft.	\$141.13	\$141	\$137.93	2.3%
Each additional 10,000 Sq. Ft.	\$141.13	\$141	\$137.93	2.3%

(1) Commercial Fire Inspection Fees are included in the MSBU assessment for all non-residential parcels. All other fees are billed directly.

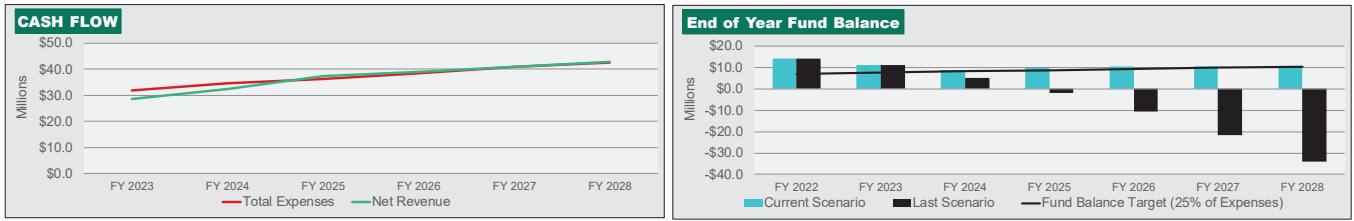
3.12. Recommendations Regarding the MSBU Assessments

Based upon the analysis presented in Section 3.6 Revenue Sufficiency Analysis, the MSBU is facing significant funding challenges. If no increases in MSBU assessment rate revenues are made, the net cash flow of the MSBU is projected to be negative in FY24 and to become increasingly more negative throughout the projection period, causing fund balance to decline below the target level in FY24 and to go negative in FY25, as can be seen in the graph below.



Implementation of the rate plan of assessment rate revenue increases from FY24 – FY28, presented on the following page, would correct the cash flow deficit problem and would result in the MSBU fund balance being slightly greater than the target balance of 25% of expenses, including fleet leases but excluding debt, (as presented in the graph below the rate plan on the following page).

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
% Rate Revenue Increase	0.0%	14.0%	14.0%	3.5%	3.5%	3.5%



In the graphs above the black bars represent the results of the Status Quo Scenario, and the blue bars represent the results of the recommended rate plan. As the above graphs show, with the proposed assessment rate revenue increases, the MSBU is projected to have sufficient cash flow such that the fund balance is projected to be maintained equal to or slightly more than the target fund balance as can be seen in the upper right graph in the above figure.

Therefore, we recommend that the MSBU Assessment rate revenue be increased in each year by the percentages in the rate plan (highlighted in green) presented above. However, we also recommend that the revenue requirements resulting from the application of the recommended 14% increase in assessment rate revenue in FY24, be allocated to property classes based upon the allocation of calls-for-service as described in Section 3.9 Calls-for-Service Analysis. Based upon that calls-for-service analysis we recommend that the following assessment rates, highlighted in blue, be adopted for FY24 and that those rates be increased by the above rate increase percentages each year from FY23 – FY28¹.

Assessment Property Class	Unit Type	% Call Allocation	FY24 Allocation of Net Revenue Requirement	Number of Units	Current Assessment per Unit	Calculated Assessment per Unit	\$ Change per Unit	% Change per Unit	Number of Parcels
Vacant Land & Acreage	Lot	1.285%	\$ 395,977	23,325	\$ 74.420	\$ 16.976	\$ (57.44)	-77.2%	23,335
Residential	Unit	84.332%	\$ 25,993,434	85,828	\$ 224.242	\$ 302.855	\$ 78.61	35.1%	80,733
Commercial Buildings	Sq. Ft.	7.561%	\$ 2,330,658	14,524,078	\$ 0.238	\$ 0.160	\$ (0.08)	-32.8%	1,364
Hospitals & Nursing Homes	Sq. Ft.	2.640%	\$ 813,651	785,985	\$ 0.595	\$ 1.035	\$ 0.44	73.9%	21
Industrial/Warehouse/Govt	Sq. Ft.	3.872%	\$ 1,193,355	6,848,115	\$ 0.079	\$ 0.174	\$ 0.10	120.3%	347
Agricultural Buildings	Sq. Ft.	0.000%	\$ -	19,815	\$ 0.011	\$ -	\$ (0.01)	-100.0%	5
Places of Worship	Sq. Ft.	0.311%	\$ 95,830	1,527,759	\$ 0.239	\$ 0.063	\$ (0.18)	-73.6%	131
\$5000 Structure Value			\$ 30,822,905	23,814,905					
Fixed Base/Administration Fee - per Parcel	Lot		\$ 1,889,560	105,795	\$ 28.870	\$ 17.861	\$ (11.01)	\$ (0.38)	105,700
Commercial Inspection Fee per Non-residential Parcel *	10,000 Sq. Ft.		\$ 435,690	3,090	\$ 137.933	\$ 141.000	\$ 3.07	\$ 0.02	1,776
Total Fee Revenues			\$ 33,148,154						

* \$141.00 for the first 10,000 sq. ft. of bldg space and \$141.00 for each additional 10,000 sq. ft.

¹ The current MSBU Assessments cap the assessment to Places of Worship at \$309.83 per parcel. The summary of recommended MSBU Assessments presented herein does not include that cap, and if the County determines that the cap for Places of Worship should be kept, the loss in assessment revenue due to the cap cannot be spread among the other parcels and the County would have to provide those funds from another source.

We also recommend that the Base Admin Fee of \$17.86 be adopted for inclusion in the MSBU assessments to all parcels and that a Commercial Fire Inspection fee of \$141.00 for the first 10,000 sq. ft. of building space and \$141.00 for each additional 10,000 sq. ft. of building space be adopted and included in the assessments for all non-residential properties.

3.13. Property Impact Analysis

We have prepared a sample property impact analysis comparing the current MSBU assessment to the proposed MSBU assessment for each property class, which is presented in the Appendix.

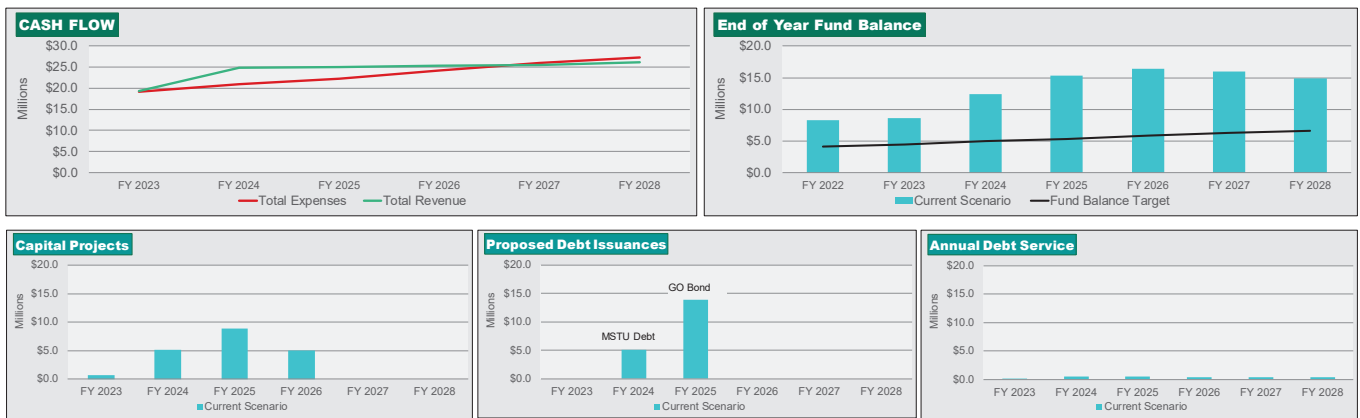
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4. MSTU Analysis, Results and Recommendations

4.1. Revenue Sufficiency Analysis

We developed a five year financial plan for the MSTU. Based upon that plan we developed a Status Quo Scenario that showed that the MSTU revenues are projected to be sufficient to cover all of the MSTU expenses. Our baseline assumption for the projections was that capital costs for FY24 will be funded within the MSTU with MSTU debt and capital costs for FY25 - FY28 will be funded outside of the MSTU with a general obligation (GO) bond. A summary of revenues and expenses under the status Quo Scenario and a graphical depiction of the financial plan for the MSTU is presented below. If no increases in MSTU tax rate are made, the net cash flow of the MSTU is projected to be sufficient to cover all of its expenses for FY24 – FY28. A detailed schedule supporting these graphs is presented in the Appendix.

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
MSTU Tax Rate	0.9100	0.9100	0.9100	0.9100	0.9100	0.9100
Tax Rate Adjustment	-	-	-	-	-	-
Percent Change	NA	0.00%	0.00%	0.00%	0.00%	0.00%
MSTU Property Values	\$ 12,778,647,818	\$ 13,854,142,372	\$ 14,047,623,889	\$ 14,208,245,945	\$ 14,368,868,002	\$ 14,960,556,098
% Growth - New Development	NA	1.4%	1.4%	1.1%	1.1%	1.1%
% Growth - Existing Values	NA	7.0%	0.0%	0.0%	0.0%	3.0%
% Growth - Combined	NA	8.4%	1.4%	1.1%	1.1%	4.1%
MSTU Tax Revenue \$	11,047,141	\$ 11,976,906	\$ 12,144,171	\$ 12,283,029	\$ 12,421,886	\$ 12,933,401
\$ Growth		\$ 929,765	\$ 167,265	\$ 138,858	\$ 138,858	\$ 511,514
% Growth		8.4%	1.4%	1.1%	1.1%	4.1%



4.2. Ambulance Transport Fee

The County currently has an Ambulance Transport fee, and the scope of this project included update of that fee. This section presents the analysis of that fee and our recommended adjustments to the fee. The cost for Ambulance Transport Fee is not included in the costs covered by the MSTU tax rate, but is a separate fee charged for ambulance transport.

The County provided us with a 2022 PEMT Cost Report from which we derived the data included in our calculation of an updated Ambulance Transport Fee. A summary of that calculation is presented on the following page:

**Hernando County
Ambulance Transport Fee ***

Description	Ambulance Transport Fee - ALS	Ambulance Transport Fee - BLS
1 Municipal Transport Service (MTS) Expenses:		
2 Capital Related (included in mileage rate)	\$0	\$0
3 Salaries	11,168,032	11,168,032
4 Fringe Benefits	6,260,764	6,260,764
5 Administrative and General	5,197,295	5,197,295
6 Total MTS Expense	\$22,626,091	\$22,626,091
7 Administrative and General	\$9,774,193	\$9,774,193
8 Reduction for Fire-Related Costs	(\$3,409,509)	(3,409,509)
9 Total Expenses to be Allocated	\$6,364,683	\$6,364,683
10 Allocation to MTS	64.1%	64.1%
11 Allocation to Non- MTS	NA	NA
12 Non-MTS Allocation	NA	NA
13 MTS Allocation	\$4,080,923	\$4,080,923
14 Annual medical supplies and medicines:	\$0	(\$522,340)
15 Total Applicable Expenses	\$26,707,014	\$26,184,674
16 MTS Transports	24,884	24,884
17 Total Transports	24,884	24,884
18 Average Cost per Transport	<u>\$1,073.26</u>	<u>\$1,052.27</u>
19 * Numbers come from 2022 PEMT Cost Report as provided by the County		

Based upon the Ambulance Transport fee analysis presented above, we recommend adoption of the Calculated Fees in the table below:

<u>Specific Service Fees</u>	<u>Calculated Fee</u>	<u>Fee @ Percent Cost Recovery</u>	<u>Current Fee</u>	<u>% Change</u>
Percent Cost Recovery		100%		
Ambulance Transport Fee -ALS Level 1	\$1,073	\$1,073	\$600	78.8%
Ambulance Transport Fee -ALS Level 2	\$1,073	\$1,073	\$600	78.8%
Ambulance Transport Fee -BLS	\$1,052	\$1,052	\$545	93.1%
Mileage Charge per Mile	\$12.04	\$12.04	\$10.00	20.4%
Home Assistance Fee	\$154	\$154	\$75	105.5%

As can be seen in the table above, the recommended transport fee is considerably higher than current fee. Based upon the BOCC's direction in the Workshop on May 2, 2023, that they plan to adopt the recommended Transport Fees, we have included that additional revenue in the revenue projections for the MSTU, which contribute to the fund's ability to remain financially sustainable without a tax increase from FY24 – FY28.

4.3. Five-Year Projection of Revenues and Expenses for the MSTU

The schedule on the following page presents the five-year projection of revenues and expenses for the MSTU based upon the recommended rates presented in the prior sections.

MSTU Projection of Revenues and Expenses

No Tax Rate Increases

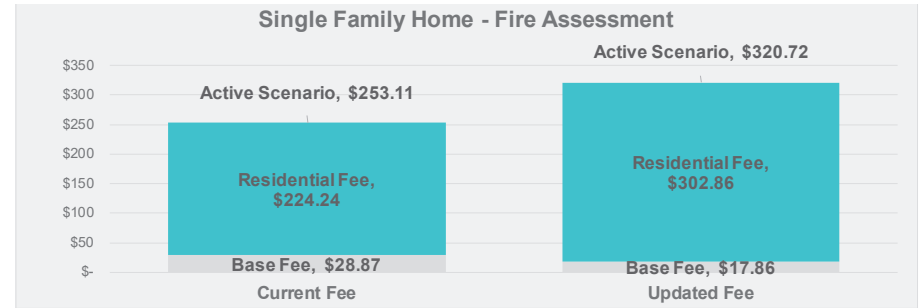
	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Revenues						
EMS MSTU Tax Calculation:						
Property Values	\$ 12,778,647,818	\$ 13,854,142,372	\$ 14,047,623,889	\$ 14,208,245,945	\$ 14,368,868,002	\$ 14,960,556,098
MSTU Tax Rate	0.9100	0.9100	0.9100	0.9100	0.9100	0.9100
Billed MSTU Tax	\$ 11,628,570	\$ 12,607,270	\$ 12,783,338	\$ 12,929,504	\$ 13,075,670	\$ 13,614,106
Budget Adjustment	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
EMS MSTU Tax Revenue	\$ 11,047,141	\$ 11,976,906	\$ 12,144,171	\$ 12,283,029	\$ 12,421,886	\$ 12,933,401
Permits - Fire Inspection	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating	\$ 189,050	\$ 189,050	\$ 189,050	\$ 189,050	\$ 189,050	\$ 189,050
Charges for Service	\$ 8,132,652	\$ 12,638,373	\$ 12,744,094	\$ 12,831,860	\$ 12,919,626	\$ 13,007,392
Grants & Aid	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest & Investment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers In	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenues	\$ 19,368,843	\$ 24,804,329	\$ 25,077,315	\$ 25,303,938	\$ 25,530,562	\$ 26,129,843
O&M and Non-O&M Expenses						
Personal Services	\$ 11,916,511	\$ 13,513,813	\$ 14,320,979	\$ 15,799,588	\$ 17,145,878	\$ 17,831,713
Operating Expenses	\$ 5,083,325	\$ 5,288,098	\$ 5,540,084	\$ 5,706,286	\$ 5,872,664	\$ 6,019,480
Non-Operating Expenses	\$ 328,303	\$ 341,435	\$ 353,385	\$ 363,987	\$ 373,087	\$ 382,414
Subtotal Expenses	\$ 17,328,139	\$ 19,143,346	\$ 20,214,448	\$ 21,869,861	\$ 23,391,628	\$ 24,233,607
Debt Service						
Existing Debt Service	\$ 143,194	\$ 199,929	\$ 199,728	\$ 157,259	\$ 157,054	\$ 156,847
New Long Term Debt Service	\$ -	\$ 278,381	\$ 278,381	\$ 278,381	\$ 278,381	\$ 278,381
New Short Term Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Existing Fleet Leases	\$ 582,458	\$ 582,458	\$ 582,458	\$ 582,458	\$ 582,458	\$ 582,458
New Vehicle Leases	\$ -	\$ 246,529	\$ 517,711	\$ 816,011	\$ 1,144,140	\$ 1,555,334
Total Debt Service	\$ 725,652	\$ 1,307,297	\$ 1,578,278	\$ 1,834,109	\$ 2,162,034	\$ 2,573,020
Cash Funded Capital						
Minor Capital Outlay	\$ 392,800	\$ 408,512	\$ 422,810	\$ 435,494	\$ 446,382	\$ 457,541
PAYGO Capital	\$ 680,000	\$ 80,000	\$ -	\$ -	\$ -	\$ -
Total Cash Funded Capital	\$ 1,072,800	\$ 488,512	\$ 422,810	\$ 435,494	\$ 446,382	\$ 457,541
Total Expenses	\$ 19,126,591	\$ 20,939,155	\$ 22,215,535	\$ 24,139,464	\$ 26,000,043	\$ 27,264,168
Net Cash Flows	\$ 242,252	\$ 3,865,174	\$ 2,861,779	\$ 1,164,474	\$ (469,481)	\$ (1,134,326)
Beginning Fund Balance	\$ 8,318,950	\$ 8,561,202	\$ 12,426,375	\$ 15,288,154	\$ 16,452,628	\$ 15,983,147
Net Cash Flows	\$ 242,252	\$ 3,865,174	\$ 2,861,779	\$ 1,164,474	\$ (469,481)	\$ (1,134,326)
Ending Fund Balance	\$ 8,561,202	\$ 12,426,375	\$ 15,288,154	\$ 16,452,628	\$ 15,983,147	\$ 14,848,822
Fund Balance Target % of Exp	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Fund Balance Target \$	\$ 4,477,649	\$ 4,993,083	\$ 5,328,654	\$ 5,817,082	\$ 6,279,557	\$ 6,592,850
Fund Balance Surplus/(Deficit)	\$ 4,083,552	\$ 7,433,292	\$ 9,959,500	\$ 10,635,546	\$ 9,703,590	\$ 8,255,972

5. Appendix - Property Impact Analysis of Proposed MSBU Assessments to Current MSBU Assessments

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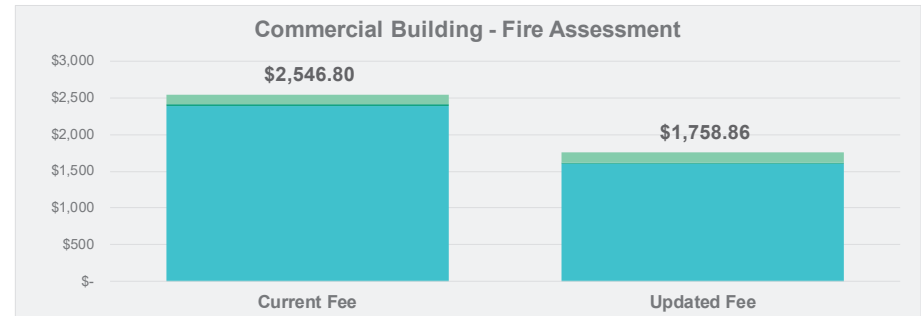
Single Family Home

	<u>Current Fee</u>	<u>Updated Fee</u>	<u>\$ Change</u>	<u>% Change</u>
Base Fee	\$ 28.87	\$ 17.86	\$ (11.01)	-38.1%
Residential Fee	\$ 224.24	\$ 302.86	\$ 78.61	35.1%
Active Scenario	\$ 253.11	\$ 320.72	\$ 67.60	26.7%



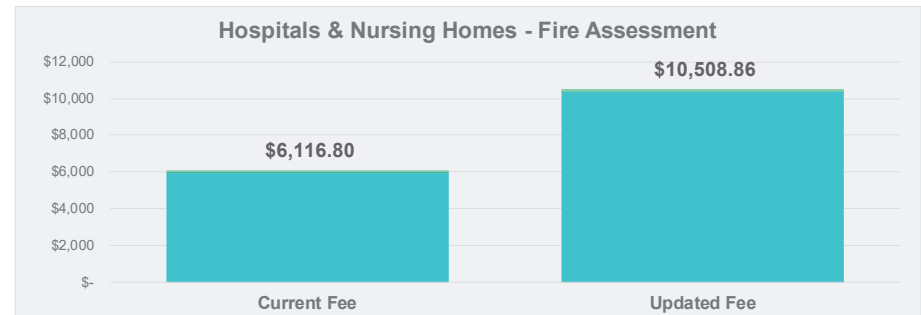
Commercial Building

	<u>Current Fee</u>	<u>Updated Fee</u>	<u>\$ Change</u>	<u>% Change</u>
Base Fee	\$ 28.87	\$ 17.86	\$ (11.01)	-38.1%
Square Footage Fee	\$ 2,380.00	\$ 1,600.00	\$ (780.00)	-32.8%
Inspection Fee	\$ 137.93	\$ 141.00	\$ 3.07	2.2%
Active Scenario	\$ 2,546.80	\$ 1,758.86	\$ (787.94)	-30.9%
Square Footage:	10,000			



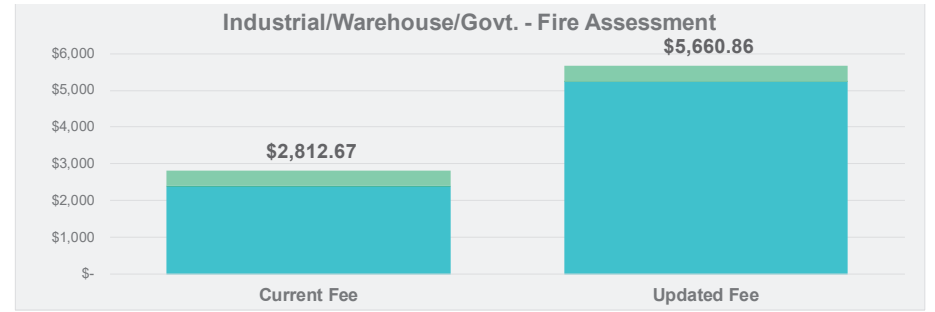
Hospitals & Nursing Homes

	<u>Current Fee</u>	<u>Updated Fee</u>	<u>\$ Change</u>	<u>% Change</u>
Base Fee	\$ 28.87	\$ 17.86	\$ (11.01)	-38.1%
Square Footage Fee	\$ 5,950.00	\$ 10,350.00	\$ 4,400.00	73.9%
Inspection Fee	\$ 137.93	\$ 141.00	\$ 3.07	2.2%
Active Scenario	\$ 6,116.80	\$ 10,508.86	\$ 4,392.06	71.8%
Square Footage:	10,000			



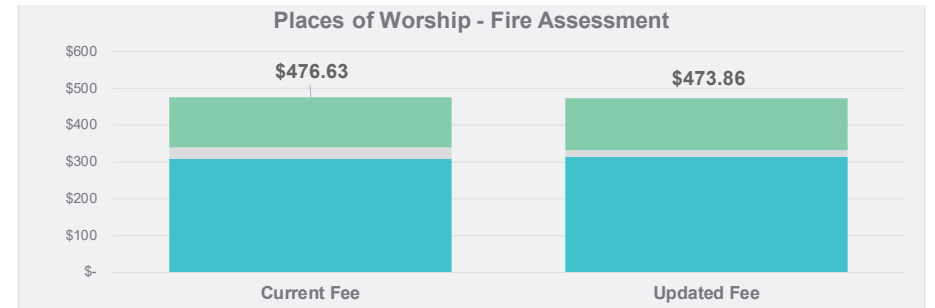
Industrial/Warehouse/Govt

	<u>Current Fee</u>	<u>Updated Fee</u>	<u>\$ Change</u>	<u>% Change</u>
Base Fee	\$ 28.87	\$ 17.86	\$ (11.01)	-38.1%
Square Footage Fee	\$ 2,370.00	\$ 5,220.00	\$ 2,850.00	120.3%
Inspection Fee	\$ 413.80	\$ 423.00	\$ 9.20	2.2%
Active Scenario	\$ 2,812.67	\$ 5,660.86	\$ 2,848.19	101.3%
Square Footage:	30,000			



Places of Worship

	<u>Current Fee</u>	<u>Updated Fee</u>	<u>\$ Change</u>	<u>% Change</u>
Base Fee	\$ 28.87	\$ 17.86	\$ (11.01)	-38.1%
Square Footage Fee	\$ 309.83	\$ 315.00	\$ 5.17	1.7%
Inspection Fee	\$ 137.93	\$ 141.00	\$ 3.07	2.2%
Active Scenario	\$ 476.63	\$ 473.86	\$ (2.77)	-0.6%
Square Footage:	5,000			
	\$ -	\$ -		



Vacant Parcel

	<u>Current Fee</u>	<u>Updated Fee</u>	<u>\$ Change</u>	<u>% Change</u>
Base Fee	\$ 28.87	\$ 17.86	\$ (11.01)	-38.1%
Vacant Parcel Fee	\$ 74.42	\$ 16.98	\$ (57.44)	-77.2%
Active Scenario	\$ 103.29	\$ 34.84	\$ (68.45)	-66.3%

