

Fire Services Powers and Taxation – Overview

I - Powers of the City Council and Millage Rate Cap Analysis

1. Question: Is it necessary for the citizens to authorize via a citywide referendum the ability of the City Council to provide fire and emergency services in Dunwoody?

Answer: No. The City Council is already vested with this power.

Analysis: The City of Dunwoody is empowered by its Charter to exercise fire protection powers. Ch. 1, Sec. 101 (26):

“Police and fire protection. To exercise the power of arrest through duly appointed police officers, and to establish, operate or contract for a police and a fire-fighting agency;”

The City has already exercised its authority to provide fire services to Dunwoody residents. The City Council adopted an Intergovernmental Agreement (IGA) with DeKalb County to provide fire services in Dunwoody shortly after incorporation. The City can terminate the agreement with the County with 180 days notice. If the City were to exercise its termination rights, it can either provide the service itself or contract with another agency for fire and emergency services.

2. Question: The Charter Commission has recommended that only services taken over by the City directly in “special service tax districts” can trigger an increase in the millage rate cap (limited to the average of previous three year average of the County fire tax levy). Why does this limit the City to just Fire and Emergency services?

Answer: The only special service tax district in DeKalb County that the City participates in, and receives services for, is Fire and Emergency Services. Parks, Police and Roads services are services the City already provides and they are included in the existing millage rate for the City, which is capped at 3.04 mills. Furthermore, state law precludes the County from charging the City for these services.

Analysis: DeKalb County operates several special service tax districts in an effort to segregate what services all citizens of the County pay for vs. citizens who live in municipalities. The special service tax districts were formed to avoid duplication of services and double taxation

The County operates a special service tax district for Police, Parks and Roads and Drainage. Each of these special tax districts includes all of DeKalb County except for

the City of Atlanta. Each of these special tax districts charge municipalities and the unincorporated area of DeKalb County different rates based on the anticipated output of services received from the County (as set by State law). The State law specifically includes Dunwoody in these special tax districts, however, the law establishes a rate of \$0 to be charged to the City for these services. The City receives no services for Police, Parks and Roads and Drainage from the County and pays nothing for these services.

DeKalb County maintains a separate Fire Fund which derives nearly all of its revenue from a special fire tax district levy. The special fire tax district includes all of DeKalb County except for the portion that lies in the cities of Atlanta and Decatur. Dunwoody is included within this Special Service Tax District.

The County taxes the municipalities and the unincorporated areas within the special service fire tax district a uniform rate. Currently, that millage rate is set at 3.29 mill. The City has agreed to allow the County to set the tax rate for fire services and determine the level of service the whole County will receive. In exchange the City receives the same level of service offered to everyone else in the County.

Please see the table showing the tax rates for the special service tax districts as Exhibit "A".

In summary; as a matter of law, the City currently provides fire services to the residents and businesses in Dunwoody, and has since 2009. The charter provided the City Council with the authority to contract with DeKalb County for fire and emergency services.

3. Question: The current charter allows the citizens by referendum the ability to raise the millage cap above 3.04. Current state law also provides the General Assembly the power to raise the millage cap above 3.04 without a voter referendum.

It has been stated that if the City provides a meritorious argument to take over Fire Services from the County that the residents would likely grant an increase in the tax rate cap. Why is the City considering asking the General Assembly to conditionally and prospectively allow for a cap increase for the possibility of direct provision of fire services?

Answer: The City already has the power to provide for fire services. The Charter Commission is tasked with reviewing the City's experience over the past four and a half years and making recommendations to the General Assembly where they see errors or improvements to the Charter based on today's realities.

The representative form of government approved by the citizens in 2008 vested the power to provide fire services with the City Council. The practical conundrum is

that while the City is already authorized already to provide fire services, the Charter limits the purse strings. The Charter did not consider that the City might desire to take over a service, in the future, that the County already taxes our residents for. While the City tax may rise if Fire is taken on directly, the County tax should correspondingly decrease at an equal amount.

The City is limited by Charter to establish and maintain a tax millage rate of 3.04 to raise revenue to provide services to the community. The initial millage rate established by City Council in 2009 was 2.74 and this rate has not changed. The 3.04 millage rate cap did not taken into consideration fire services being directly taxed and provided by the City.

As a practical matter, the cap on the tax rate imposed by the Charter restricts the City Council's options for providing fire services to the community to a contract with another agency who can utilize their power to tax to provide fire and emergency services to the community without a vote of the citizens.

The City Council has expressed an interest in **exploring** service delivery options to try to improve fire services for Dunwoody by locally controlling the tax rate and service levels provided to the community. To date, the City Council has not voted to nor implied any intent to change providers for Fire services. As with a variety of services, the Council, from time to time will investigate options.

Under the current service delivery arrangement for Fire services, DeKalb County sets the tax rate (without any cap) and the service levels for fire and emergency services countywide within the fire tax district. The only protections afforded the City of Dunwoody in the intergovernmental agreement is that the City will not receive less services or higher taxes than any other participants in the fire special service tax district.

There are several methods that could provide the City with the necessary funding to change the fire and emergency services service delivery model currently in place with the County if it chooses to do so in the future without raising the overall tax rate the citizens are paying. They are listed below.

1. A voter referendum to raise the millage cap from 3.04 to provide enough revenue to change the service delivery model currently in place for fire and emergency services.
2. A charter amendment approved by the General Assembly that would raise the millage cap from 3.04 to provide enough revenue to change the service delivery model currently in place for fire and emergency services.

A majority of the Charter Commission recommended a methodology that would allow the General Assembly to modify the City's charter to raise the millage cap from 3.04 - with several limitations that would constrain the City Council's ability to raise

the millage rate above the 3 year historical average the County taxes the special service tax district for fire and emergency services.

In summary

The millage cap was established to provide some limitations on how much the City could charge the citizens and businesses for the services provided to them - not what services would be provided, and by whom. The rationale for this recommendation to choose a charter amendment over a voter referendum could be that a referendum would put the question to a city wide vote regarding whether or not the City should be able to change the entity who charges the citizens for Fire services. That would be the only reason to raise the millage rate – so effectively the citizens would be deciding to authorize the City Council to take on a power already vested in that body. A voter referendum would decide what services the City should provide vs. what services the County would provide. Locally elected officials are entrusted by the voters to determine the most efficient and desirable mix of services the City will provide and at what cost (subject to the charter limitations on the rate of taxation).. This power is vested in the Charter and the City Council has exercised its authority to provide fire and emergency services through an IGA with DeKalb County to provide the services. The Charter change recommended by the Charter Commission would provide the City with flexibility in choosing service providers for Fire and Emergency services.

II – HOST Credit - Fire Services

1. Question: Homeowners receive a Homestead Option Sales Tax (HOST) credit on the annual County tax bill that effectively lowers the net taxes paid for County services. This is accomplished by supplanting revenues from a Countywide 1% sales tax for property taxes paid by County homeowners. How much of a credit is received by the homeowners and would the homeowners lose this if the City took over Fire Services from the County as a direct service?

Answer: For 2013, the County plans to utilize the sales tax revenues to credit back homeowners for 66% of the taxes charged for County Fire Services. In 2012, that percentage was 55%. It varies each year based on the will of the County government. The City can “mimic” the HOST credit by artificially lowering the millage rate for homeowners for city services to ensure that the transfer of a service from the County to the City does not result in a back door tax increase to the citizens.

Analysis: The City Charter mandates that the City impose a 1 mill reduction on the annual tax bill for homeowners to attempt to mimic the County’s HOST credit on county tax bills. Effectively, the City charged homeowners 1.74 mill for city taxes in 2012 and non-homesteaders 2.74 mill for city taxes. The 1 mill exemption in city

taxes in some years equals the HOST credit provided by the County for unincorporated and special service tax districts, and in some years exceeds or falls short of the credit.

To meet the expectations of the citizens that bringing along Fire Services in Dunwoody would be a net zero change in taxes, the Charter Commission can adjust the language in their recommendation to accommodate for an artificial lowering of the millage rate for homeowners.

The following language will accommodate the change described above:

If the millage cap is raised to take on services in the Special Service tax district (Fire Services), not only would that cap be set equal to the previous three year rolling average for Fire millage - homeowners would be provided a millage rate reduction equal to the same three year rolling average percentage sales tax credit that the County utilizes to lower homeowners taxes.

For example:

Fiscal Year	Fire Millage Rate	HOST Credit %	Homeowner Cap
2011	2.70 mill	43%	
2012	3.29 mill	55%	
2013 (Proposed)	2.82 mill	66%	
AVERAGE	2.94 mill	55%	1.32 mill

Cap for Homeowners - 1.32 mill
Cap for non-Homeowners 2.94 mill

Exhibit "A"

2013	General	Hospital	Fire	Special Tax District			Police			M&O Subtotal	Debt Service			Total
				R&D	P&R	Total	Basic	Non-Basic	Total		City Bonds	Uninc Bonds	Total	
Atlanta	10.71	0.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	11.51	0.00	0.00	0.00	11.51
Avondale	10.71	0.80	2.82	0.19	0.00	0.19	2.47	0.69	3.16	17.68	0.00	0.00	0.00	17.68
Brookhaven	10.71	0.80	2.82	0.00	0.00	0.00	0.00	0.00	0.00	14.33	0.00	1.92	1.92	16.25
Chamblee	10.71	0.80	2.82	0.19	0.00	0.19	0.00	0.24	0.24	14.76	0.00	0.00	0.00	14.76
Clarkston	10.71	0.80	2.82	0.19	0.00	0.19	2.04	0.58	2.62	17.14	0.00	0.00	0.00	17.14
Decatur	10.71	0.80	0.00	0.19	0.00	0.19	0.00	0.33	0.33	12.03	0.00	0.00	0.00	12.03
Doraville	10.71	0.80	2.82	0.19	0.00	0.19	0.00	0.00	0.00	14.52	0.00	0.00	0.00	14.52
Dunwoody	10.71	0.80	2.82	0.00	0.00	0.00	0.00	0.00	0.00	14.33	0.00	1.92	1.92	16.25
Lithonia	10.71	0.80	2.82	0.19	0.16	0.35	2.12	0.60	2.72	17.40	0.00	0.00	0.00	17.40
Pine Lake	10.71	0.80	2.82	0.19	0.16	0.35	2.47	0.69	3.16	17.84	0.00	0.00	0.00	17.84
Stone Mtn	10.71	0.80	2.82	0.19	0.00	0.19	0.00	0.50	0.50	15.02	0.00	0.00	0.00	15.02
Unincorporated	10.71	0.80	2.82	0.39	0.32	0.71	3.49	0.76	4.25	19.29	0.00	1.92	1.92	21.21

2012	General	Hospital	Fire	Special Tax District			Police			M&O Subtotal	Debt Service			Total
				R&D	P&R	Total	Basic	Non-Basic	Total		City Bonds	Uninc Bonds	Total	
Atlanta	10.43	0.94	0.00	0.00	0.00	0.00	0.00	0.00	0.00	11.37	0.70	0.00	0.70	12.07
Avondale	10.43	0.94	3.29	0.16	0.00	0.16	1.32	0.44	1.76	16.58	0.70	0.00	0.70	17.28
Chamblee	10.43	0.94	3.29	0.16	0.00	0.16	0.00	0.13	0.13	14.95	0.70	0.00	0.70	15.65
Clarkston	10.43	0.94	3.29	0.16	0.00	0.16	1.08	0.36	1.44	16.26	0.70	0.00	0.70	16.96
Decatur	10.43	0.94	0.00	0.16	0.00	0.16	0.00	0.20	0.20	11.73	0.70	0.00	0.70	12.43
Doraville	10.43	0.94	3.29	0.16	0.00	0.16	0.00	0.00	0.00	14.82	0.70	0.00	0.70	15.52
Dunwoody	10.43	0.94	3.29	0.00	0.00	0.00	0.00	0.00	0.00	14.66	0.70	1.72	2.42	17.08
Lithonia	10.43	0.94	3.29	0.16	0.14	0.30	1.13	0.37	1.50	16.46	0.70	0.00	0.70	17.16
Pine Lake	10.43	0.94	3.29	0.16	0.14	0.30	1.32	0.44	1.76	16.72	0.70	0.00	0.70	17.42
Stone Mtn	10.43	0.94	3.29	0.16	0.00	0.16	0.00	0.31	0.31	15.13	0.70	0.00	0.70	15.83
Unincorporated	10.43	0.94	3.29			0.38			3.75	18.79	0.70	1.72	2.42	21.21