

## **Merger of the City of Demorest Fire Services with the Unincorporated County Fire Services**

**Demorest Fire Service District Tax:** The City of Demorest and Habersham County BOC propose a Special Fire Service District, to allow Habersham County Emergency Services to provide Fire Service to the City of Demorest. This study is intended to ensure residents and businesses in the City of Demorest provide adequate revenue through a special tax allocation district, to cover the added cost of providing Fire Service to property owners in the City of Demorest.

**Background:** The Service Delivery Strategy Law O.C.G.A. § 36-70-24 requires the cost of any service with a county that provides for the benefit of the unincorporated area of the county shall be borne by the unincorporated area residents, individuals and property owners who receive the service. In addition, the Strategy must ensure that when the County and one or more cities jointly fund a countywide service, the County's share of such funding shall be borne by the unincorporated residents, individuals and property owners who receive the service.

The intent of this provision is to eliminate double taxation of municipal property owners. When a county provides a service primarily for the benefit of the unincorporated area, the law provides that funding for such service must come from:

1. Special service districts created by the county in which property taxes, insurance premium taxes, assessments or user fees are levied or imposed; or
2. Any other mechanism agreed upon by the affected parties which eliminates double taxation.

**Blended Department:** The Habersham County Emergency Services Department (HCES) includes both Fire Service and Emergency Medical Service within one blended department.

**Cross Trained Staff:** Firefighters and Emergency Medical personnel are trained to serve in both capacities and work interchangeably during their workday. Paramedics and EMT's can fight fires and Firefighters can support emergency medical calls. For reference, Emergency Medical Service expenses are paid using ambulance fees and a special EMS property tax.

**Special Tax District for Fire Services:** Habersham County and the City of Demorest propose to merge Fire Services for the unincorporated County and the City and activate the special property tax district to ensure that Fire Services provided to the City of Demorest are funded using revenue derived from the City of Demorest taxpayers. This Special Tax District will provide a funding source for the Demorest Property Taxpayers to fund Fire Services provided by the County within the City of Demorest.

**Fire Tax District:** Fire services for Habersham County are paid for from the County's General Fund with Insurance Premium Tax revenue. Establishing a millage rate equivalent involves a calculation to convert a proportionate share of the cost for providing Fire Service to a millage rate. One method to determine the amount of property tax revenue required to support Fire Service for the City of Demorest is to determine the property tax millage rate equivalent charge paid by unincorporated residents and businesses through property tax. A second method involves a direct payment of the Demorest Fire Insurance Premium Tax to Habersham County.

**County Fire Millage Equivalent:** To calculate the County millage equivalent of the insurance premium tax (IPT): divide the IPT of \$2,121,831 by the value of one unincorporated tax digest of \$843,027 = 2.32 mills. Using this 2.32 millage rate multiplied by the value of one (1) mill at the Demorest millage rate means the Demorest Special Tax District will generate \$75,313 annually.

**Insurance Premium Tax:** The City of Demorest collects \$130,713 in insurance premium tax annually. If that amount were transferred to the County for the operation of Fire Services in the City of Demorest,

no additional millage rate would be necessary. The millage equivalent of the City of Demorest insurance premium tax is: \$130,714 divided by \$32,462 or 4.03 mills.

	FY 2020 Habersham	FY 12.31.18 Demorest	
Population 2010	43,048	1,824	4.2%
Fire Service Costs	\$1,954,672	\$533,327	27.3%
Insurance Premium Tax (IPT)	\$2,121,831	\$130,714	6.2%
Unincorporated property tax revenue per mill	\$843,027	\$32,462	3.9%
Fire conversion to Millage Rate	2.32	14.32	
Demorest Fire District Tax	2.32	\$75,313	
IPT conversion to Millage Rate	2.52	4.03	

**Conclusion:** The implementation of a county Fire Tax District within the City of Demorest is a method to provide funding for Fire Service in the City of Demorest and ensure the elimination of double taxation for the City of Demorest or Habersham County. This Fire Service District Tax could be funded with either an insurance premium tax transfer to the county or the institution of the Fire Service property tax for the City of Demorest. These calculations are based on the County’s 2020 budget and Demorest’s FY2018 financial statements and 2019 tax assessments.