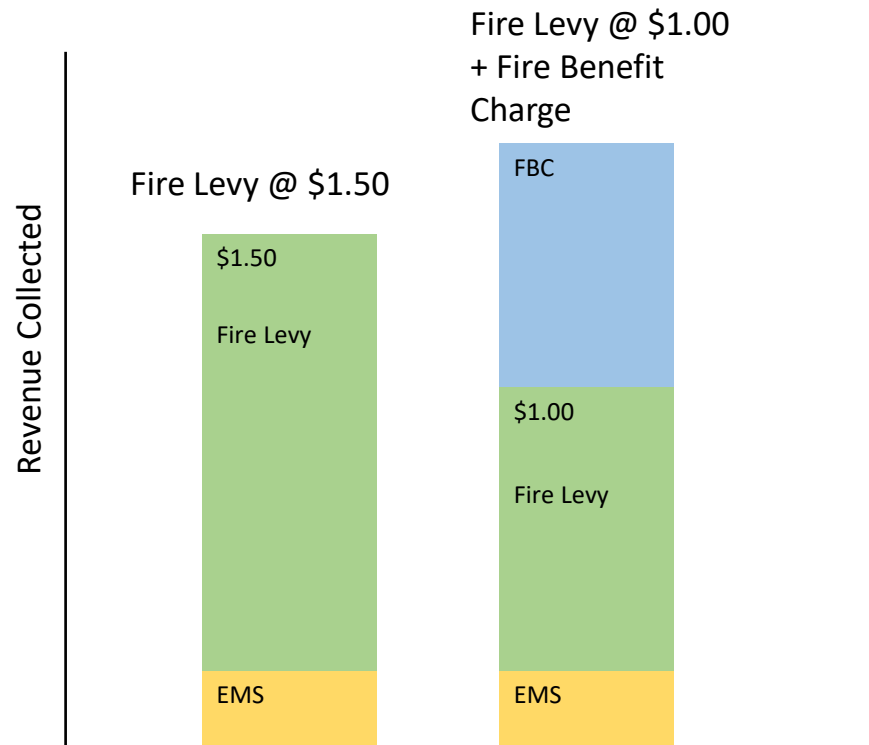


Olympia-Tumwater RFA Proposed Fire Benefit Charge Structure

July 11, 2022

RFA Major Revenue Sources:

Fire Levy
Fire Benefit Charge
EMS Levy allocation



Graph shows 2 approaches to RFA funding

- If EMS allocation and Fire Levy of \$1.50/\$1,000 AV are not sufficient, a Fire Benefit Charge can increase revenue collections
- In exchange for a FBC, the maximum fire levy drops one-third to \$1.00/\$1,000 AV
- FBC collections in any year cannot exceed 60% of operating budget
- Unlike property taxes, FBC is not subject to the 1% collections cap: it is a revenue stabilization tool
- If an FBC is requested when the RFA is formed, the vote threshold to establish the RFA and authorize the FBC (one ballot) is 60% approval

What is a Fire Benefit Charge (FBC)?

- ▶ A Fire Benefit Charge (FBC) is not a tax.
- ▶ A FBC is not based on the value of property.
- ▶ An FBC is fee based on the fire-response needs of a structure.
 - ▶ Key factors: type of property (residential or commercial or...) and size of property (square footage).
- ▶ Land is not subject to a benefit charge.
- ▶ **Exemptions:** **Generally**, properties exempt from property tax will also be exempt from an FBC.
- ▶ Discounts typically added for sprinklers, and alarms, if data available.
- ▶ **The benefit charge formula and collection amount is set annually by the board of commissioners.** There is an annual appeals process.
- ▶ The FBC bill is sent as part of property tax bill by the assessor/treasurer and paid like property tax.

How does the FBC work?

Everyone uses the **same basic formula**; what changes are the **structure categories** and the **weights for each category**, and **any discounts/surcharges**.

1. Identify categories of structures you will use in your FBC formula. Typical set below.	2. Identify square footage and type of each structure in your jurisdiction and place it in the appropriate category	3. Determine the weighting for each category (Board policy action)	4. Identify any discounts/exemptions applicable to the property, e.g. --sprinklers, senior citizen/disabled	5. Do the math!
Mobile Home Single Family Residential Multifamily Small commercial Medium Commercial Large Commercial	County assessor records provide this information.	Weights increase with the size and complexity of the structure and its use. It's not a straight line—some small commercial establishments may have an FBC like a single-family residence. The weighting reflects the additional resources needed to put out a fire at these different types of structures.	County assessor records provide this information This is another policy decision—if <i>data is available to implement it</i> .	Determine the bill for each parcel / structure

FBC Proposal: Goals and guidelines.

- Use an approach that is substantially similar as that used by other RFAs.
- Recognize the limitations on FBCs per statute:
 - A benefit charge imposed must be reasonably proportioned to the measurable benefits to property resulting from the services afforded by the authority, RCW 52.26.180(5)

Summary of proposal: Classifications & Weights

- **Classifications**

- Mobile homes (1 class)
- Residential (3 classes)
- Apartments (1)
- Commercial (6)

- **Weight of “1”** given to Small Commercial (up to 5,000 sq. ft) – everything else is weighted above or below that.
- Proposed formula has a single fixed weight for each classification except Commercial; weights for Commercial structures increase as size of structures increase.

Proposed Weight Ranges by Classification

Structure Classification	# of tiers in this classification	Proposed Weights	# of parcels in this category
Residential	3	.58 for each of the 3 categories <i>(essentially, there's just one residential category)</i>	20,246
Mobile Home	1	.45 <i>(So, a 1,000 sq. foot mobile home pays less than a 1,000 sq. foot residence)</i>	454
Apartments <i>4 units or more</i>	1	1.45	354
Commercial	6	Increasing from 1 to 6 as square footage grows <i>(See next slide)</i>	2,142

A structure with a lower weight will pay a smaller FBC as compared to a structure of the same square footage and a higher weight.

Commercial Tiers and Weights.

Tier	Max Sq. Ft in this Tier	Weight	# of parcels in this category
Commercial 1	5,000	1	1300
Commercial 2	20,000	1.5	611
Commercial 3	50,000	2	145
Commercial 4	100,000	3	53
Commercial 5	200,000	4	29
Commercial 6	Over 200,000	5	4

Discounts and Hazard Surcharges

- No Hazard surcharges proposed.
- Discounts: given limited data, proposing a 10% discount for properties that are sprinklered.

Other notes of importance.

- The parcel data base has been reviewed to eliminate properties that are known to be exempt from an FBC (state owned, nonprofit low-income housing, etc.) There are likely still parcels in the data base that are exempt.
- Sprinkler data is not yet in the data base: this is separate data that the Fire Departments have.
- *Both these facts mean that the data shown slightly over-estimates likely FBC collections.*
- It is also possible that some parcels may be misclassified.

The results—as if the RFA were created in 2022

Fire Benefit Charge Factors and Totals for 2022

Fire District OT

	Factor	Max Sq Ft
Residential 1	0.58	1,500
Residential 2	0.58	3,000
Residential 3	0.58	No Max
Apartments	1.45	
Mobile Homes	0.45	
Balancing Factor	0.01	
Cost Per Gallon	83.38	
Sprinkler	0.9	

	Factor	Max Sq Ft
Commercial - 1	1	5,000
Commercial - 2	1.5	20,000
Commercial - 3	2	50,000
Commercial - 4	3	100,000
Commercial - 5	4	200,000
Commercial - 6	5	No Max

Commercial Subtotals	
1,300	Commercial 1 \$922,168.95 3,197,380
611	Commercial 2 \$1,250,577.69 5,691,774
145	Commercial 3 \$705,502.73 4,607,705
53	Commercial 4 \$557,287.28 3,595,337
29	Commercial 5 \$565,352.85 3,743,373
4	Commercial 6 \$138,793.85 998,374

# Parcels		FBC \$	Square Feet
20,246	Residential	\$8,548,133.84	51,887,243
2,142	Commercial	\$4,139,683.35	21,833,943
454	Mobile Home	\$87,842.02	527,061
354	Multi Unit	\$725,826.06	4,318,633
23,196	Total District	\$13,501,485.27	78,566,880

Residential Subtotals	
2,020	Residential 1 \$577,772.60 2,453,571
12,980	Residential 2 \$5,212,643.71 29,512,895
5,246	Residential 3 \$2,757,717.53 19,920,777

Olympia Tumwater Both

Both

Sprinkler discount

Total collected from each Classification

*Total to be collected in 2024—
estimate based on 2022 data*

What will property owners pay?

- Assume:
 - Both Cities roll back their general property tax levy by \$1.00/\$1,000 AV in 2024 to account for the new \$1.00 property tax the RFA will impose.
 - Both Cities will retain amounts currently spent on fire department costs in excess of \$1.00/\$1,000 AV and redirect that to other city purposes.
- Next slides:
 - One residential example: *before and after RFA—*
Total taxes to City today versus total taxes + FBC to City and RFA combined
 - Context: all property taxes payable
 - Multiple examples
 - Residential, apartments, commercial

Estimated 2022 Average Assessed Home Value and Size

Based on the data file from the County for 2022:

	Olympia	Tumwater
Average Residential Structure Assessed Value	\$393,242	\$378,993
Average Residential Structure Size	2,520 sq. ft.	2,644 sq. ft.

For purposes of creating a blended average, we propose to use:

Avg. Residential structure AV: **\$385,000**

Avg. Residential Structure Size: **2,575 sq. ft.**

Average Single Family Residential Cost

The example shows the cost for **our assumed average single family residential home value and size** (blended across both cities), located in **Olympia**.

Before the RFA, the homeowners pay \$1973 in property tax in 2022 to the City.

If the RFA were in place this year, assuming the City levy is decreased by \$1.00, the proposed difference between **current City property tax payment** and the **City + RFA property taxes + FBC payment** is an increase of **\$442. (= the FBC amount)**

Actual amounts will change each year.

The **net increase is the same** for an average home of the same value/sq. ft. in **Tumwater**.

	Assessed Value	Square Feet
Land Value	\$ 300,000	-
Structures Value	\$ 385,000	-
	\$ 685,000	2,575

	Current	RFA
Residence Assessed Value	\$ 685,000	\$ 685,000
City Levy Rate	2.21410	1.21410
City Bond Levy Rate	0.11820	0.11820
City Park Levy Rate	0.54791	0.54791
City Total Prop Tax Rate	2.88021	1.88021
TOTAL PROP TAX PAID TO CITY	\$ 1,973	\$ 1,288
		\$ 685
RFA Levy Rate		1.00
TOTAL PROP TAX PAID TO RFA	\$ -	\$ 685
Fire Benefit Charge Paid		442
TOTAL PROP TAX/BEBEFIT CHARGE TO RFA		1,127

Summary	Current	RFA
Assessed Value	\$ 685,000	\$ 685,000
Olympia Property Taxes	\$ 1,973	\$ 1,288
RFA Property Taxes		\$ 685
RFA Benefit Charges		\$ 442
Total Taxes and Charges	\$ 1,973	\$ 2,415
Total Increase	\$	442

Context: City property taxes are a small portion of total property taxes

For the average single family residence in Olympia, the RFA would add about 5.5% to the total combined property tax/FBC bill, if it were in place in 2022.

Estimated Olympia Property Tax - Residential

Assessed Value	Square Feet
\$ 680,000	2,575

	Current	Tax Paid	W/ RFA	Total Paid	
Olympia Schools	4.55786	\$ 3,099	\$ 4.56	\$ 3,099	
State Schools	2.68037	\$ 1,823	\$ 2.68	\$ 1,823	
City of Olympia	2.21410	\$ 1,506	\$ 1.21	\$ 826	Reduce \$ 680
Thurston County	0.98003	\$ 666	\$ 0.98	\$ 666	
Olympia Met Park Dist	0.54791	\$ 373	\$ 0.55	\$ 373	
Medic One	0.35000	\$ 238	\$ 0.35	\$ 238	
Timberland Library	0.28799	\$ 196	\$ 0.29	\$ 196	
Port of Olympia	0.15069	\$ 102	\$ 0.15	\$ 102	
Conservation Futures	0.03231	\$ 22	\$ 0.03	\$ 22	
Olympia Excess Levy	0.11820	\$ 80	\$ 0.12	\$ 80	
Regional Fire Authority	0	\$ -	\$ 1.00	\$ 680	Shift from Olympia to RFA
Total Property Tax Payment	11.92	\$ 8,105	\$ 11.92	\$ 8,105	
Fire Benefit Charge	0	\$ -	Calc	\$ 442	
Grand Total Payment		\$ 8,105		\$ 8,547	
FBC Percent Change				5.45%	

Because we are assuming both cities will reduce their property tax by the amount of the RFA fire levy, the **net difference in each example is the amount of the FBC**, regardless of the underlying City property tax rate or assessed property value.

Sample Residential	Bldg Value	Land Value	Total AV	Total Prop. Tax Rate	Total Prop. Taxes	Reduced Total Tax Rate	Reduced Prop. Tax	RFA Tax Rate	RFA Taxes	Structure SqFt	FBC	RFA Total Taxes+FBC	Total RFA Increase*
R1	170,100	99,500	269,600	11.92	\$ 3,213	10.919	\$ 2,944	\$ 1.00	\$ 270	890	\$ 65	\$ 3,278	\$ 65
R2	129,800	106,100	235,900	11.92	\$ 2,812	10.919	\$ 2,576	\$ 1.00	\$ 236	1320	\$ 79	\$ 2,891	\$ 79
R3	438,600	111,800	550,400	11.92	\$ 6,560	10.919	\$ 6,010	\$ 1.00	\$ 550	3255	\$ 497	\$ 7,057	\$ 497
R4	540,900	158,400	699,300	11.92	\$ 8,335	10.919	\$ 7,636	\$ 1.00	\$ 699	3267	\$ 498	\$ 8,833	\$ 498
R5	854,900	200,000	1,054,900	11.92	\$ 12,573	10.919	\$ 11,518	\$ 1.00	\$ 1,055	4466	\$ 582	\$ 13,155	\$ 582

*As compared to current Olympia property tax payment in 2022.

Mobile Home and Apartment Examples

Sample Mobile Homes

Sample Mobile Homes	Bldg Value	Land Value	Total AV	Total Prop. Tax Rate	Total Prop. Taxes
M2	66,500	147,900	214,400	11.92	\$ 2,555
M5	3,300	159,800	163,100	11.92	\$ 1,944
M6	237,900	193,500	431,400	11.92	\$ 5,142

Reduced Total Tax Rate	Reduced Prop. Tax	RFA Tax Rate	RFA Taxes	Structure SqFt	FBC	RFA Total Taxes+FBC	Total RFA Increase
10.919	\$ 2,341	\$ 1.00	\$ 214	600	82.7166	\$ 2,638	\$ 83
10.919	\$ 1,781	\$ 1.00	\$ 163	952	208.3845	\$ 2,152	\$ 208
10.919	\$ 4,710	\$ 1.00	\$ 431	1572	267.7769	\$ 5,410	\$ 268

Sample Apartments

Sample Apartments	Bldg Value	Land Value	Total AV	Total Prop. Tax Rate	Total Prop. Taxes
A4	4,063,200	966,000	5,029,200	11.92	\$ 59,943
A5	11,308,000	834,800	12,142,800	11.92	\$ 144,730
A6	221,800	53,300	275,100	11.92	\$ 3,279
A7	14,581,100	1,054,400	15,635,500	11.92	\$ 186,360

Reduced Total Tax Rate	Reduced Prop. Tax	RFA Tax Rate	RFA Taxes	Structure SqFt	FBC	RFA Total Taxes+FBC	Total RFA Increase
10.919	\$ 54,914	\$ 1.00	\$ 5,029	5,100	\$ 1,554	\$ 61,497	\$ 1,554
10.919	\$ 132,587	\$ 1.00	\$ 12,143	10,250	\$ 1,983	\$ 146,713	\$ 1,983
10.919	\$ 3,004	\$ 1.00	\$ 275	21,120	\$ 3,163	\$ 6,442	\$ 3,163
10.919	\$ 170,724	\$ 1.00	\$ 15,636	103,401	\$ 6,298	\$ 192,658	\$ 6,298

Commercial Examples

Sample Commercial 1- (400-4,999SqFt)

Sample Commercial	Bldg Value	Land Value	Total AV	Total Prop. Tax Rate	Total Prop. Taxes	Reduced Total Tax Rate	Reduced Prop. Tax	RFA Tax Rate	RFA Taxes	Structure SqFt	FBC	RFA Total Taxes+FBC	Total RFA Increase
C1.2	191,000	182,600	373,600	11.92	\$ 4,453	10.919	\$ 4,079	1.00	\$ 374	1500	\$ 581	\$ 5,034	\$ 581
C1.3	188,600	135,600	324,200	11.92	\$ 3,864	10.919	\$ 3,540	1.00	\$ 324	2140	\$ 694	\$ 4,558	\$ 694
C1.4	108,500	161,000	269,500	11.92	\$ 3,212	10.919	\$ 2,943	1.00	\$ 270	3000	\$ 822	\$ 4,034	\$ 822

Sample Commercial 2 (5,000-19,999SqFt)

Sample Commercial	Bldg Value	Land Value	Total AV	Total Prop. Tax Rate	Total Prop. Taxes	Reduced Total Tax Rate	Reduced Prop. Tax	RFA Tax Rate	RFA Taxes	Structure SqFt	FBC	RFA Total Taxes+FBC	Total RFA Increase
C2.1	474,700	288,400	763,100	11.92	\$ 9,095	10.919	\$ 8,332	1.00	\$ 763	5000	\$ 1,061	\$ 10,157	\$ 1,061
C2.3	1,122,600	473,500	1,596,100	11.92	\$ 19,024	10.919	\$ 17,428	1.00	\$ 1,596	15000	\$ 2,481	\$ 21,505	\$ 2,481
C2.4	1,208,800	2,037,700	3,246,500	11.92	\$ 38,695	10.919	\$ 35,449	1.00	\$ 3,247	19540	\$ 2,832	\$ 41,527	\$ 2,832

Larger Commercial Examples

Sample Commercial 3 (20,000-49,999SqFt)

Sample Commercial	Bldg Value	Land Value	Total AV	Total Prop. Tax Rate	Total Prop. Taxes
C3.1	1,237,800	667,200	1,905,000	11.92	\$ 22,706
C3.3	5,892,700	593,500	6,486,200	11.92	\$ 77,309

Sample Commercial 4 (50,000-99,999SqFt)

C4.1	4,756,600	312,300	5,068,900	11.92	\$ 60,416
C4.2	8,096,200	681,500	8,777,700	11.92	\$ 104,621
C4.4	5,367,800	1,010,500	6,378,300	11.92	\$ 76,023

Sample Commercial 5 (100,000-199,999SqFt)

C5.1	4,985,100	647,000	5,632,100	11.92	\$ 67,129
C5.4	36,648,400	6,882,400	43,530,800	11.92	\$ 518,844

Sample Commercial 6 (200,000+SqFt)

C6.1	>\$30M			11.92	\$ 418,983
C6.2	<\$4M			11.92	\$ 66,994

Reduced Total Tax Rate	Reduced Prop. Tax	RFA Tax Rate	RFA Taxes	Structure SqFt	FBC	RFA Total Taxes+FBC	Total RFA Increase
10.919	\$ 20,801	\$ 1.00	\$ 1,905	20035	\$ 3,824	\$ 26,530	\$ 3,824
10.919	\$ 70,823	\$ 1.00	\$ 6,486	44200	\$ 5,680	\$ 82,989	\$ 5,680
10.919	\$ 55,347	\$ 1.00	\$ 5,069	50333	\$ 9,091	\$ 69,507	\$ 9,091
10.919	\$ 95,844	\$ 1.00	\$ 8,778	65834	\$ 10,397	\$ 115,019	\$ 10,397
10.919	\$ 69,645	\$ 1.00	\$ 6,378	90804	\$ 12,211	\$ 88,234	\$ 12,211
10.919	\$ 61,497	\$ 1.00	\$ 5,632	100778	\$ 17,152	\$ 84,281	\$ 17,152
10.919	\$ 475,313	\$ 1.00	\$ 43,531	147156	\$ 20,726	\$ 539,570	\$ 20,726
10.919	\$ 383,830	\$ 1.00	\$ 35,153	210,000+	\$ 31,278	\$ 450,260	\$ 31,278
10.919	\$ 61,374	\$ 1.00	\$ 5,621	240,000+	\$ 33,610	\$ 100,605	\$ 33,610

Q & A
and
Discussion