

BOARD OF ALDERMEN

ITEM NO. D(3)

AGENDA ITEM ABSTRACT

MEETING DATE: August 16, 2005

TITLE: New Hope Fire Department First Responder Agreement for Northeast Annexation Areas “A” and “B”

DEPARTMENT: PLANNING	PUBLIC HEARING: YES __ NO <u>X</u>
ATTACHMENTS: A. Resolution B. Supplemental Fire Protection Agreement C. New Hope Fire Department Letter 10/5/04	FOR INFORMATION CONTACT: Roy Williford, 918-7325

PURPOSE

The purpose of this item is for the Carrboro Board of Aldermen to review, approve and authorize the Town Manager to sign the first responder agreement between the Town of Carrboro and the New Hope Fire Department for the provision of fire protection services within Northeast Annexation Areas “A” and “B”.

INFORMATION

The Carrboro Board of Aldermen, on September 14, 2004 initiated procedures for the annexation of two areas generally located northeast of Carrboro’s city limits, Annexation Area “A” and Annexation Area “B”, through the adoption of a Resolution of Intent. On January 21, 2005 the Board of Aldermen adopted an annexation ordinance incorporating both areas effective January 31, 2006.

On the effective date of annexation, the Town of Carrboro must provide each major municipal service on substantially the same basis and in the same manner as such services are provided within the rest of the Town immediately before annexation. On October 5, 2004 the Town received a formal request from the New Hope Fire Department for a “Good Faith Responder Agreement” in keeping with *G. S. 160A-49.1* which requires the Town to negotiate and enter into a 5-year contract for services with the Orange New Hope Volunteer Fire Department for the portion of the Northeast Annexation Area, which New Hope currently serves. During the five year contract period, both the Carrboro and the Orange New Hope Volunteer Department will respond to fire emergencies in the annexation area. When the rural fire department's contract with the Town expires, the Town will also comply with the requirements in G.S. 160A-49.2 to pay to the rural fire department a proportionate share of the rural fire department's remaining debt payments for facilities and equipment for debt that existed at the time that the resolution of intent to annex the area was adopted (September 14, 2004).

The attached “Supplemental Fire Protection Agreement” constitutes the first responder agreement between the Town of Carrboro and the New Hope Fire Department of Orange County, Inc. (New Hope). New Hope has verbally accepted this agreement and has offered to sign it following approval by the Carrboro Board of Aldermen and approval of the schedule of debt payments by the NC Local Government Commission.

Following is the Town Attorney’s summary of substantive sections of the “Supplemental Fire Protection Agreement”:

Section 5, 8, 9, 10, 11, 12, 13 and 14: These paragraphs deal with the specifics of what kind of services New Hope and Carrboro will be expected to provide.

Section 5c: This paragraph makes it clear that Carrboro and New Hope are entering into an agreement for first responder services only. This requirement is important because G.S. § 49.1(e) permits the Town to contract just for first responder services in lieu of full fire protection services. Under the statute, Carrboro will be deemed to have made a “good faith offer” to New Hope if the Town offers to pay for first responder services half what it would have been required to pay for full fire protection services.

Section 6, “Payment”: This paragraph establishes Carrboro’s payment schedule. As just mentioned, G.S. § 49.1(e) permits the Town to offer to pay for first responder services half what it would pay for full fire protection. In turn, G.S. § 160A-49.1(b) states that a “good faith offer” for full fire protection is one where the Town pays New Hope annually for five years the amount of tax revenue New Hope would have collected from the annexed area. This amount is calculated by using the tax rate in effect at the time Carrboro adopted its annexation resolution of intent, which was September 14, 2004. At that time, the fire district tax rate was 6.5 cents per \$100.00. Although the tax rate remains fixed to the date that the resolution of intent was adopted, the statute requires that the property values in annexed area be adjusted yearly to match the property values listed by the County.

Section 7, “Debt”: G.S. § 160A-49.2 establishes how much and when the Town must make payments to New Hope to help pay New Hope’s debt. These payments must be made regardless of whether a Supplemental Agreement is entered into or not. The statute requires Carrboro to pay a prorated share of all debt relating to “facilities or equipment” that New Hope had at the time the Town adopted the annexation resolution of intent. The Town must begin making these payments either after New Hope stops providing fire protection under the Agreement, or if no agreement is entered into, then upon the effective date of annexation. The statute requires each annual payment to be the same proportion to New Hope’s debt as the property valuation for the newly annexed area is to the valuation of New Hope’s total service area. For these debt payments, the ratio of annexed land value to total fire district value is not reassessed annually. Instead, the ratio is determined based on property values as of a single date selected, by the parties. I have selected January 31, 2006, the effective date of the annexation, for this date.

You should note that the statute’s default setting requires Carrboro to make annual payments to New Hope for so long as New Hope services the debt that existed at the time the resolution of intent was adopted. The Supplemental Agreement, however, specifies that the parties can, if they so choose, agree to let the Town make a single lump sum payment or several payments for a specified number of years. These methods of payment are not expressly permitted by the statute, but the N.C. Local Government Commission (LGC) may approve them. If the Town and New Hope decide to take this approach, you should consult with the staff at the LGC first.

Section 10, “Personnel”: The second paragraph is an acknowledgement by New Hope that no full-time employees were or will be terminated because of the annexation. I included this provision because G.S. § 160A-294 requires the Town to take certain additional steps if New Hope has to let any full-time employees go because of the annexation.

FINANCIAL IMPACT

Good Faith Contract (2 components):

1. Payment for first responder services

Section 6 of the agreement requires the Town to pay 50% of the property tax revenues generated in the annexation area by the New Hope tax rate of 6.5¢/\$100 in value. This payment will be made once a year for five consecutive years by the Town to New Hope on July 1st of each year. The estimate payments shown in the Table below will be adjusted each year to reflect the January 1st tax value.

2. Debt payment

Section 7 of the agreement requires the Town to pay a prorated share (proportional to the annexation area's value of the total Fire district value) of all of New Hope's outstanding debt as of 9/14/04. The debt based on information provided by the New Hope Fire Department and CCB amortization notes, is reflected in attachment "B" of the agreement. As shown in the table below, the Town proposes to make a lump sum payment of \$4,183.96 on July 1, 2010 which represents the total debt remaining after the expiration of the 5-year agreement.

Description	For Period:				
	1/31/06 thru 1/30/07	1/31/07 thru 1/30/08	1/31/08 thru 1/30/09	1/31/09 thru 1/30/10	1/31/10 thru 1/30/11
Good Faith Responder Contract, (1/2 area annexed taxes) - TO BE ADJUSTED EVERY YEAR	\$ 32,054	\$ 32,054	\$ 32,054	\$ 32,054	\$ 32,054
Debt Payment	\$ -	\$ -	\$ -	\$ -	4,184
Total Due to New Hope	\$ 32,054	\$ 32,054	\$ 32,054	\$ 32,054	\$ 36,238
Due on July 1,					
	2006	2007	2008	2009	2010
	FY06-07	FY07-08	FY08-09	FY09-10	FY10-11

% of valuation attributable to Carrboro's share of debt, by law is at time of annexation - 1/31/06 or whatever date is agreed upon with New Hope. Make it clear to them; so amount to be paid by Town to New Hope will be fixed

NOTE, LAST YEAR OF PAYMENT FOR DEBT COMBINES REMAINING LIFE OF DEBT OWED BY NEW HOPE.. That is what we will owe..

NOTE NEW HOPE'S DEBT IS PAID QUARTERLY - SO WE WILL NOT OWE A FULL YEAR OF DEBT IN FY10-11 - JUST 2 QTRS PLUS OUTSTANDING DEBT OWED BY NEW HOPE IN FY11-12

For Good Faith Contract, tax rate is fixed is 6.5 cent & valuation varies annually based on Jan 1 listing of each year

Fire District Tax Reimbursement to Tax Payers

(In a separate but related item, the Town must reimburse taxpayers of the annexation area for the 5 months of taxes that they paid for New Hope, but no longer owe because of annexation.)

The following table provides the estimated revenues that would be generated using the January 1, 2005 tax values within the annexation area for the New Hope Fire District using a 6.5¢ per 100 tax rate:

Revenue Source	NE Annexation Area Estimated 1- 1-05 VALUE	50%
Real Property	\$90,110,120	
Personal Property	\$1,100,474	
Motor Vehicle	\$5,372,907	
Corporate Excess	\$2,045,499	
Total Value	\$98,629,000	
New Hope Revenue .00065	\$64,109	\$32,054
5 months	\$26,712	\$13,356

Per the estimate provided in the above table, the amount to be reimbursed to the tax payers within the annexation areas is approximately \$26,712. The statutes require the Town to reimburse tax payers within the annexation area within 90 days from the January 31, 2006 effective annexation date or by May 1, 2006. The staff will prepare a budget amendment for Board approval after the Town receives confirmation of the total and individual tax reimbursement amounts from the Orange County Tax Office. Individual checks will be mailed to annexation area property owners along with information about the reimbursement and information about their upcoming tax bill for 17 months rather than 12 months to pay Carrboro property taxes owed but not billed from the January 31, 2006 effective date to the end of the fiscal year on June 30, 2006 plus taxes for fiscal year 2006-07. Following the tax payer reimbursement the Town will invoice the county for five months or 5/12 of the first responder contract amount or \$13,356 as calculated in the above table. The reimbursement will cost the Town the remaining half of \$13,356 in FY 2005 -06 and \$10,400 has been budgeted leaving a budget amendment amount for an additional \$2,956 in FY 2005-06.

STAFF RECOMMENDATION

The staff recommends that the Board of Aldermen adopt the attached resolution approving the first responder agreement between the Town of Carrboro and the New Hope Fire Department for the provision of fire protection services within “Northeast Annexation Areas “A” and “B”” and authorizes the Town Manager to sign the agreement.