# A FIRE/EMS/SAFETY CENTER PUBLICATION



# GUIDELINES FOR MINNESOTA FIRE PROTECTION CONTRACTS

March 1992 Rev. November 2001 Fire/EMS/Safety Center 1450 Energy Park Drive Suite 100-B St. Paul, MN 55108-5265 651-649-5454 (Main Line) 1-800-311-3143 (Toll Free) 651-649-5409 (Fax) www.firecenter.mnscu.edu

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### I. MUNICIPAL AND TOWNSHIP FIRE PROTECTION

There is no specific legal requirement for local governments to provide fire protection for their citizens. However, at some point in time, depending on the population density and development that is occurring within the jurisdiction, residents may petition the local governing body to provide fire protection.

Elected officials may choose to provide fire protection in one of four ways:

- 1. They may choose to organize a municipal fire department;
- 2. they may contract for fire protection from a neighboring town or city;
- 3. they may choose to form a Joint Powers Fire Protection District with one other or several towns or cities; or,
- 4. they may form a Rural Fire Association which is a private corporation and has political subdivisions (towns and cities) as its members.

Typically, the majority of fire departments in Minnesota are municipal departments. Of the 820 departments in Minnesota, there are approximately 100 departments, which are private corporations that were organized by the fire fighters and furnish protection to cities on a contractual basis. We believe there are approximately 50 rural fire associations in the state.

If a municipality decides to form its own fire department or enter into a joint powers agreement fire district and public funds are used to purchase equipment, hat department is considered to be a municipal fire department and the fire fighters are employees of the municipality.

### II. FIRE PROTECTION OUTSIDE JURISDICTIONAL LIMITS

# A. Authorization to Fight Fires Outside Jurisdictional Limits

Before a municipal fire department undertakes to respond to fire calls beyond the municipal limits, it must first be authorized to do so by the council or other body in control of the department.

<u>Authorization Procedure:</u> Procedure for authorization is set forth in the Minnesota Statutes:

"The council or any other body of any municipality having control of its fire department may by resolution a dopted by a five-sevenths vote authorize its fire department, or any portion thereof, to attend and serve at fires outside of the limits of the municipality either within or without the state. In case the fire department is controlled by an individual, this authorization shall be by written notice posted at the headquarters of the fire department." (Minn.Stat. Section 438.08).

# B. Necessity of Contracts

Minn.Stat. 438.08 and 438.09 contemplate that **contracts should be entered into** with regard to fire runs outside city limits. Op.Atty.Gen. 688-AO, May 18, 1951. Also, contracts between municipalities should be in writing and not an "oral gentlemen's agreement". Op.Atty.Gen. 1954, No. 140, p. 277.

### C. Power to Contract

The legal status of an entity determines its powers to contract with regard to fire service. It makes a difference if the local government entity is a township, village, town, statutory city, or home rule city. When the entity is a fire department, it makes a difference if the department is volunteer or paid. And, the law makes a distinction between various categories of contracting parties based on the relationship between those contracting parties. For example, the law may be different if the fire service contract is with a nonprofit organization, a private corporation, a farmer, or a homeowner. Finally, power to contract may be restricted by the location of the property to be protected. That is, it may make a difference if the property is located within the borders of a municipality or outside of it. In any contracting arrangement, however, the municipality must be compensated for providing fire service. Op.Atty.Gen. 688-K, May 2, 1952.

A city with all the powers of a **home rule** municipality and a **volunteer fire department** may render fire protection services to a **township** with which it had no agreement for services without being subject to legal action by citizens.

A **village**, but not an individual fire department, is permitted to enter into valid contracts for fire protection **outside** the village. Op.Atty.Gen. 688-K, May 2, 1955. A village may send its fire fighting equipment out in the country to answer calls <u>if there is a contract</u> between the municipality to be served and the village. Op.Atty.Gen. 688-A, December 16, 1946.

A **village** may have authority to enter into a contract with individual **farmers** by which such individual farmers will purchase a fire truck and leave it in the village and by which the village will furnish such farmers with fire protection in

consideration for use of truck for village fires. Op.Atty.Gen., 1948, No. 150, p. 242. **Villages** have no authority to enter into agreements, on behalf of certain **homeowners** in that village, with another **city** to furnish fire protection to those homeowners, though they agreed to reimburse the village for all expenditures under the agreement and to save the village harmless from any liability growing out of such an agreement. Op.Atty.Gen., 688-A, April 5, 1948. Neither incorporated **villages** nor **towns** may contract for fire protection with **private corporate fire departments**. Op.Atty.Gen., 688-K, Oct. 6, 1953.

A **village** having control of a **volunteer fire department** could contract with a **nonprofit corporation** to render fire protection to persons residing **outside** the village limits. Op.Atty.Gen., 688-K, Oct. 1, 1963. (Ed. Note: Minn Stat. Chapter 410 changed the classification of "villages" to cities of various classes in 1976.)

**Cities** may contract with **private corporations** to furnish fire protection to the corporation's property **outside** the city limits. Op.Atty.Gen., 688-A, Aug. 11, 1950. In the absence of a binding contract, no municipality is legally obligated to send the fire department beyond the municipal limits.

A **volunteer fire department** has no authority to attend fires **outside** village limits without the **village** and **municipality** being served first having a contract with each other. Op.Atty.Gen., 1954, No. 140, p. 277. A **village** having control of a **volunteer fire department** may contract with a **nonprofit corporation** to render fire protection to persons residing **outside** the village limits. Op.Atty.Gen., 688-K, October 1, 1963.

Once a fire department is authorized to do so, must it go outside the municipal boundaries to respond to a fire call? No. The only obligation is a moral one and then the first obligation is to the residents of the municipality. In the absence of a binding contract, there is no liability placed upon a municipality for the failure to respond to an outside call.

Once outside service is authorized, a municipality may contract with other municipalities or private groups for compensation in fighting fires outside the limits of the municipality. This compensation is a legally enforceable charge under Minn.Stat. 438.09. A municipality may also undertake to make mutual aid compacts with other municipalities that have fire departments. In addition, to effectuate better fire services to a larger area, a municipality and any other governmental unit may jointly or cooperatively purchase and operate fire equipment. Minn.Stat. Section 471.59, Subd. 1.

# D. Factors to Consider Before Making Contracts

# 1. State Aid Qualification.

Municipalities, which are contemplating furnishing, contracted fire services must consider the impact of such contracts as far as qualifying for their share of the state aid. Minn.Stat. Section 69.011 sets forth the requirements for receiving state aid. Subd. 4 states as follows:

"Any municipality in this state having for more than one year an organized fire department and officially established by the governing body of the municipality or an independent nonprofit fire fighting corporation created under the nonprofit corporation act of this state and operating exclusively for fire fighting purposes and providing retirement and relief benefits to its members or having a separate subsidiary incorporated fire fighter's relief and pension association providing retirement and relief benefits may qualify to receive state aid if it meets the following minimum requirements or equivalent as determined by the state fire marshal by July 1, 1972:

- (a) Ten paid or volunteer fire fighters including a fire chief and assistant fire chief; and
- (b) Regular scheduled meetings and frequent drills including instructions in fire fighting tactics and the use, care, and operation of all fire apparatus and equipment; and
- (c) A motorized fire truck equipped with a motorized pump, 250 gallon or larger water tank, 300 feet of one inch or larger fire hose in two lines with combination spray and straight stream nozzles, five-gallon hand pumps--tank extinguisher or equivalent, dry chemical extinguisher or equivalent, ladders, extension ladders, pike poles, crow bars, axes, lanterns, fire coats, helmets, boots; and
- (d) Apparatus suitably housed in a building of good construction with facilities for care of hose and equipment; and
- (e) A reliable and adequate method of receiving fire alarms by telephone or with electric siren and suitable means of sounding an alarm; and

- (f) If response is to be provided outside the corporate limits of the municipality wherein the fire department is located, the municipality has another piece of motorized apparatus to make the response; and
- (g) Other requirements the commissioner establishes by rule.

One of the more important requirements to be aware of is the requirement for certain equipment (Par (f), above). The municipality providing fire protection must insure that apparatus is available for protection of both the parent municipality as well as the parties protected by contract. The fire departments of cities, towns, townships, as well as independent fire departments, may receive state aid from the Commissioner of Revenue as determined in Minn. Stat. 69, Subd. 7 and Minn. Stat. 423A.02 State aid is allocated one-half in proportion to the population and one-half to the market value of property, to include tax exempt property. If a municipality contracts to provide fire protection outside of its borders, it may be compensated for that extra territory, as well as the area inside its borders. To prove that it is providing "outside" service, the agreement must be in writing and filed with the Commissioner of Revenue, Attention: Local Government Aids. This additional state aid is calculated on the same population and assessed valuation basis as is the aid received for the area within the municipal limits. If more than one fire department is furnishing fire protection services to the same area, the municipalities must apportion among themselves the percent of the population and assessed valuation of the service area. Apportionment agreements must be in writing and two duly executed copies of such Agreements must be filed with the Commissioner of Revenue. Minn. Stat. Section 69.021, Subd. 7.

Additional state aid may not be obtained for joint powers mutual aid contracts.

# 2. Adequate Equipment And Personnel.

The primary responsibility of the fire department is to the citizens of the municipality. If a municipality undertakes to make outside contracts, the municipality must remain adequately protected if the department answers an outside call. Generally speaking, a municipality with only one or a few pieces of equipment should not make outside contracts unless arrangements have been made for immediate standby protection from another department. The authorization for the outside service should contain a statement as to what portion of the fire department may be

absent from the municipality at any one time. Also, the contract should contain a provision relating to the number of men and equipment that will answer an alarm to the outside areas. In addition, the contract should set out circumstances in which the fire department may refuse to answer a call, when it may be recalled to the municipality, and give the fire chief or incident commander discretion to decide in other situations whether the department will respond.

Conversely, if the contractual obligations are to be substantially complied with, then adequate equipment and manpower must respond to the outside call. Municipal equipment may not be suited for rural use. A pumper would be useless at the scene of a fire where there is not a sufficient supply of water in drop tanks and a means to draft the water. Adequate protection under a contract may also be critically affected by factors such as response time and travel distance.

Problems of providing adequate protection may be alleviated in a number of ways. First, the outside area to be served could purchase additional apparatus, which would be kept with the regular equipment of the municipality and manned by the municipal fire fighters for the response to the outside area. Second, the municipality could purchase apparatus jointly with the outside area. Third, a municipality could make mutual aid agreements with other municipalities, which include provisions to answer calls in the areas it serves by contract. For example, Village A has a contract to provide fire protection to outside area. When Village A enters a mutual aid agreement with Village B, a provision is added which obligates Village B to respond to calls in Outside Area if called upon to do so by Village A. Fourth, municipalities, counties, and other governmental units may consider entering into joint powers arrangements as provided by Minn. Stat. 471.59.

### 3. Fire Insurance Rates

If the municipality is less adequately protected after it makes an outside contract, the fire insurance rates may rise within the municipality. This indirect cost must be taken into account. Similarly, if adequate protection is provided to an outside area, the rates in the contracting area should drop. Through the purchase of additional rural equipment, usable in the municipality, the rates within the municipality may drop. ISO has a great impact on Minnesota's fire service, as it is responsible for grading community water supplies and fire departments in order to determine fire insurance premiums. It also functions as a de facto consultant and will provide, on request of local government officials, recommendations for

upgrading a community's fire protection. More specific information on changes in rate classification may be obtained from:

ISO-Commercial Risk Services Chuck Monson Minneapolis, MN 612-926-8337

ISO

2525 Cabot Drive, Suite 105

Lisle, IL 60532

Phone: 630-955-1080 Fax: 630-955-1230

E-mail: info.lisle@iso.com http://www.iso.com/

# III. ESTABLISHING FIRE SERVICE CHARGES

Perhaps the most important item to consider before entering into a contract to provide outside fire service is the charge, which must be made.

### A. Factors.

For many years municipalities have provided fire protection services to outside areas at charges, which were far under actual costs. These charges often had little relation to the real cost. Thus, for many years municipalities have subsidized their neighbor's fire protection. In some instances this may be justified by the good will obtained from the surrounding countryside.

Several factors have caused a re-examination of this subsidization. For instance:

- o the cost of adequate fire protection, like everything else, has increased;
- o a changing pattern of land use in the rural areas has increased the number of responses beyond the municipal limits;
- o state legislation has set minimum equipment and personnel requirements which must be met if the municipality is to qualify for state aid; and municipalities are finding they are increasingly hard-pressed financially.

In addition, municipalities are statutorily required to furnish cost data for fire protection, upon request, when they contract with a town. Minn.Stat. Section 365.181, Subd. 2 provides:

"A town that has entered into a contract or is negotiating with a municipality for fire services under this section, may ask the municipality for cost data relating to fire protection. The town may also ask for a copy of each existing fire protection contract the municipality has with other political subdivisions. The municipality shall provide the requested data and contracts."

All of these factors point out the need for the fire service to adopt a more business-like approach toward administration, budgeting, and cost sharing of fire protection.

### B. Methods.

Because each situation is unique there is no one "correct" method of establishing fire service charges. Each community will have to determine for itself whether it should subsidize its neighbor's fire protection, or furnish fire services at cost or generate a slight surplus to re-invest in new equipment, etc. Whatever the charge, it should be equitable to all of the parties.

One fact is becoming increasingly apparent; the cost of fire protection is not significantly related to the number of calls the fire department makes. In fact, the call itself is but a small part of the actual costs. In order to be prepared for emergencies, expenditures for the fire department remain fairly constant. For example, there are capital costs (buildings, equipment, and apparatus), operational costs, and personnel costs (compensation for fire fighters and pension funding). Most of these costs will be incurred regardless of the number of calls. Therefore a per run charge will not adequately reimburse a municipality which provides outside service unless it is based upon the average number of runs made to an outside area over a period of years and the average costs of providing outside protection over the same number of years. To ensure itself of being adequately compensated, a municipality should adopt a fixed formula to determine its charges for outside service. Only through a fixed formula is it certain that all the costs of providing fire protection will be taken into account. Minnesota municipalities are using several different formulas for determining fire service charges. Examples of such formulas are:

### 1. Formula

A formula which combines the percent of use of the fire department; the percent of market valuation of taxable and tax exempt property in the protected area and population (or one or two of these factors). This formula averages out the individual discrepancies of each factor.

#### Where:

- **S** = Cost of fire protection for one year to be charged to the recipient of service.
- **C** = Amount budgeted for operation of the fire department for the current fiscal period **including** monies contributed to the relief association but **excluding** the 2 percent state aid.
- **U** = Percent of fire department use by the recipient of the service in the last year or averaged over several years.
- **V** = Percent of market value of taxable and non taxable structures in all jurisdictions.
- **P** = Percent of population in recipient's jurisdiction.

The formula is: S = ((C) \* ((U% + V% + P%)/3))

In the example below, the percent assigned to each jurisdiction (to include the city providing the service) is located at the top of the box and the actual "count" at the bottom of the box.

Example: Township A uses 21.24% of fire department services (in hours); has 15.49% of the market value of structures; and 6.30% of the population.

Based on these percentages, Township A's contribution for fire protection will be \$14,345. The Cost per Capita (\$79.26) is calculated by dividing the cost for fire protection by the population. This piece of data is provided for comparison only.

Using any computer spreadsheet software, these calculations can be readily set up to provide a "what-if" scenario for any number of jurisdictions.

Jurisdiction	Percent of FD	Percent of	Percent	Cost per
	Use (U)	Valuation (V)	Population (P)	Capita
Township A	21.24%	15.49%	6.30%	\$79.26
S = \$14,345	2400	\$25,366,200	181	
Township B S = \$11,723	12.39% 1400	16.16% \$26,463,000	6.62	\$61.70
Township C	14.16%	14.53%	12.29	\$38.70
S = \$13,661	1600	\$23,792,500	353	
Township D	19.47%	17.28%	11.77%	\$47.85
S = \$16,172	2200	\$28,285,500	338	
Township E	9.73%	12.94%	10.24%	\$37.32
S = \$10,971	1100	\$21,187,700	294	
Township F	12.39%	16.31%	18.77%	\$29.36
S = \$15,823	1400	\$26,706,400	539	
City of	10.62%	7.27%	34.02%	\$17.71
\$17,304	1200	\$11,909,800	977	
Total	100.00%	100.00%	100.00%	
\$100,000	11,300	\$163,711,100	2,872	

The contracting parties may agree to use either the value of Fire Department Use(U) or Market Valuation (V) or Population (P) or two of these values or all three. Using all three of the factors in this era of electronic spreadsheets is probably the most equitable as it considers:

<u>Fire Department Use</u> as the number of hours or level of service provided in the past and represents a solid value for service provided.

Market Valuation considering what there is to burn and would represent a potential for the amount of time a fire department may have to devote to a community.

<u>Population.</u> Fires usually occur where people are present and statistically, there are more fires where there are more people present.

If you are not interested in constructing a spreadsheet but would like to use our sample, send a 3-1/2 inch floppy to us with a stamped self-addressed envelope and we will be pleased to share it with you.

# IV. CONTRACTING PROCEDURE

Before a municipality may enter into an outside service contract, its fire department must be authorized to go beyond the municipal limits. We have already mentioned the authorization procedure above. Authority to go outside the municipal limits may be given to the fire department by resolution instead of by ordinance if the municipality prefers to do it that way. In that case, the matter of fixing charges for outside service need not be put in the form of a separate resolution. An ordinance is used when the authority given amounts to establishment of a policy permanent enough to justify ordinance treatment. Manner and time of payment may be covered in the contract rather than included in the ordinance. Contracting parties should be aware of publishing requirements for the ordinance, which may affect the effective date of the contract.

If the municipality is contracting with a another community, the powers of each as set forth by Minnesota law must be examined to determine if all necessary procedures have been complied with and what, if any, statutory limitations will affect the contractual obligations of the entities. The necessary action by the town voters may be taken at the annual town meeting or a special town meeting called for that purpose. Minn.Stat. Section 365.15.

A town board may enter into a contract for fire protection and operation and upkeep of fire apparatus with the town's county or a nearby home rule, charter or statutory city. The town board may also enter into the same kind of contract with a volunteer fire department or association if the volunteer fire department or association is not, by charter or ordinance, an official part of a city government. The parties shall mutually agree on the terms and conditions of the contract but the contract must not run for more than ten years. It is recommended that Minn Stat. 365.181 be reviewed in detail.

Fire protection contract arrangements involving towns and municipalities have generally taken one of the following three forms:

1. The equipment and building are owned by the municipality and joint or separate contracts are made with one or more cities or towns for fire protection from the municipality for a stated charge.

- 2. The fire equipment is purchased and owned by a city and town (or towns) and housed in and operated by the municipal fire department.
- 3. Fire equipment may be purchased and maintained by the town (or towns), and housed in the municipal fire department. However, when fighting fires, the fire fighters from the town assist the fire fighters from the municipality.

### V. RECOMMENDED CONTENT FOR FIRE PROTECTION CONTRACTS

# A. Suggested Items

- 1. The amount of the fee to be paid by the municipality receiving the fire protection to the entity (public or private) providing the fire protection. How the fee is to be calculated, when payments are to be made.
- 2. The length of time the contract will be in effect and how and when the parties will notify the other to renew, amend, or terminate the contract.
- 3. If the parties have a dispute in the interpretation of the contract, how will the disagreement be arbitrated to avoid legal action. Include means for reviewing terms of contract annually to include "satisfaction with service" as determined by the purchasing municipality. If the receiving community will have any "input" as to the level and/or quality of the fire protection service received during the term of the contract.
- 4. The exact services that will be provided (structural fire fighting, code enforcement, public education, emergency medical services, vehicle extrication etc.) The level of service provided (interior structural fire fighting v. exterior; basic life support v. advanced life support etc.). Estimated response time for various portions of the contract area based on estimates or past history.
- 5. The minimum expected response in terms of personnel and apparatus to each type of emergency situation. Include details of the selling fire department's mutual aid agreements.
- 6. The financial information that will be provided to the purchasing party by the selling party by a certain date. (Receipts, expenditures for previous year and proposed operating and capital budgets) (MS 365.18, Subd. 3).

- 7. The amount and type of insurance and which party will provide what coverage.
- 8. Which party will house emergency vehicles and/or equipment? If property of purchasing municipality is used, who is responsible for maintenance of property, access to building, utility bills and any other expenses?
- 9. Legal description of property to be protected and/or easily identifiable geographic boundaries of the area to be protected.
- 10. The amount of "2 per cent" state aid that will be received (or estimated based on previous year's aid) by the selling party as a result of the contract in force.
- 11. Who receives priority if there are simultaneous calls for service that cannot be handled by the fire department? Who makes the decision and what is the criteria for the decision.
- 12. A statement as to the Insurance Services Office Fire Protection Grade (4, 5, 6, etc.) of the community which is to be served by the entity providing fire protection and a clear understanding of how that grade may be affected by the contracted fire protection (if any).
- 13. If the department "selling" fire protection requests funds for all or a portion of specific items of equipment, which party will hold title and how will those assets be divided in the event of the dissolution of the contract or the fire department.
- 14. In the event the contracting municipality allows the "selling" fire department to use any facility owned by the purchasing municipality, there should be an agreement as to leasing terms, control of the property, and maintenance responsibilities.
- 15. The Fire/EMS/Safety Center strongly recommends the services of legal counsel for the drafting of a fire protection contract to ensure that appropriate language is used.

# VI. SPECIAL FIRE PROTECTION DISTRICTS, Minn. Stat. Section 368.85

This statute addresses fire protection districts organized by and for townships. Cities that wish to participate in a fire protections district may do so via a joint powers agreement in accordance with Minn. Stat. 471.59.

A special fire protection district may be established as a means of providing fire protection for only a part of any organized town and of financing that protection through a tax levy spread only on the special protection district. If there is to be more than one special protection district, they are designated by consecutive numbers in order to their establishment. The town board may make contracts for the special protection district.

# A. Establishment by Resolution - Subd 1

The town board shall adopt a resolution particularly describing the territory, district or area within such town which shall constitute a special fire protection district and which shall be entitled to receive fire protection to be paid for from the taxation of the property. Each special fire protection district shall consist of contiguous and compact territory and shall be so constituted that at least 25 percent of the total assessed value of taxable real property therein consists of property classified as homestead property and buildings or other structures.

# B. Submission at Annual Meeting; Notice - Subd 2

The resolution shall provide for the submission of the question whether such special fire protection district shall be established to the voters residing within the limits of the special fire protection district so proposed to be established at the next ensuing annual town meeting or at any special town meeting which the town board is hereby authorized to call for that purpose. The notice of such annual meeting or of such special town meeting shall contain a notice that such question will be submitted to the electors residing in such proposed special fire protection district at such meeting and a statement that all cost of fire protection for the special district will be borne by a tax on the property therein. Such meeting shall be held at the usual place of holding town meetings within the town.

# C. Manner of Voting - Subd 3.

For such election the town board shall provide a separate ballot box where the electors residing within such proposed special fire protection district shall deposit their ballots. Only electors residing within the proposed special fire protection district will be entitled to vote at such meeting upon such question.

### D. Ballot - Subd 4.

The town board shall provide ballots to be used at the town meeting. The ballots must bear the words "Shall the territory described in the resolution adopted by the town board on the \_\_\_\_\_ day of \_\_\_\_, 20\_\_, constitute a special fire protection district?" The question shall be followed with a line with the word "yes" and a square after it and another line with the word "no" and a square after it. The voters shall indicate their choice by placing a cross mark in one of said squares, and a direction to so indicate their choice shall be printed on the ballot.

# E. Counting of Votes - Subd 5.

If the proposition receives a majority of the votes, the result will be recorded in the minutes of the town meeting, and the territory described in the town boards' resolution shall thereafter constitute and be a special fire protection district in the town.

# F. Tax Levy - Subd 6.

The town board shall annually thereafter levy a tax in an amount as necessary on the assessed valuation of all property located within the special fire protection district to provide fire protection for the district.

# G. Disbursement of funds - Subd 7.

When such taxes are collected, the same shall be paid to the town and disbursed upon the order of the town board for the purpose of providing fire protection in the special fire protection district. The town board may order such moneys, to be paid to any municipality or volunteer fire department, which has its fire department headquarters so, located as to be able to conveniently furnish and which shall agree to furnish the fire protection to the property within such district.

### H. Plural Districts - Subd 8.

Any town may establish more than one special fire protection district. Consecutive numbers in the order of their establishment shall designate such special fire protection district.

### I. Dissolution - Subd 9.

A special fire protection district may be dissolved pursuant to Minn. Stat. 368.85, Subd. 9.

Please address any editorial corrections/comments to: The Fire/EMS/Safety Center, Minnesota State Colleges & Universities, 1450 Energy Park Drive, Suite 100-B, St. Paul, MN 55108-5265 or call us at 651-649-5454 or 1-800-311-3143.