



CITY OF KIRKLAND
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MEMORANDUM

To: Kurt Triplett, City Manager

From: Joe Sanford, Fire Chief
 Andreama Campbell, Management Analyst

Date: June 4, 2020

Subject: POTENTIAL FIRE AND EMERGENCY MEDICAL SERVICES BALLOT MEASURE DRAFT ORDINANCE OPTIONS, DRAFT BALLOT TITLE LANGUAGE, AND FINAL RECOMMENDATION REVIEW TEAM UPDATE.

BACKGROUND

At their May 19 meeting, Council received an update of estimated project and staffing costs from the Recommendation Review Team (RRT), and survey results from two Fire and Emergency Medical Services (EMS) surveys. The RRT estimated a \$9 million-dollar increase in capital costs and a \$500 thousand-dollar annual increase in operating costs. The overall combined total increased from \$0.225/\$1,000 of assessed valuation (AV) to \$0.268/\$1,000AV and \$164 dollars to \$195 dollars annually for the median-valued home.

As mentioned during the presentation of the May 19 Council meeting, the RRT has begun identifying whether some of the permitting and environmental costs for the capital projects are due to City codes or policies that the City has discretion to change. With this analysis, staff has identified savings in capital costs of \$2.2 million dollars. This brings the new and final RRT estimated capital costs from \$67 million dollars to \$65 million dollars and lowers the overall total from \$0.268/\$1,000AV to \$0.264/\$1,000AV and \$195 to \$192 dollars annually. The chart below shows the original ComSAG estimate of the investments they recommended, compared to the latest estimates from the RRT.

ComSAG RECOMMENDATION				
	Total	Annual Cost	Rate	Median Home
Capital	\$58,017,000	\$3,200,000	\$0.10133	\$73.97
Operating	\$3,900,000	\$3,900,000	\$0.12380	\$90.37
Total		\$7,100,000	\$0.22513	\$164.34
FINAL RECOMMENDATION REVIEW TEAM ESTIMATES				
	Total	Annual Cost	Rate	Median Home
Capital	\$64,900,000	\$3,580,000	\$0.12283	\$89.69
Operating	\$4,410,000	\$4,410,000	\$0.14161	\$102.21
Total		\$7,990,000	\$0.26444	\$191.90

Also, at the May 19 meeting, the Council received the results of two Fire and EMS surveys. The first was a statistically valid telephone survey conducted by EMC Research that soft-launched April 21 and was in the field

through April 28 and received 400 responses. The second was the City’s online version of EMC Research’s survey that was in the field from May 6 through May 15 and received 418 responses.

The final RRT cost estimates are below \$200/year. However, after receiving the results of the two surveys, considering the uncertain financial impacts of COVID-19, Council directed staff to bring back two options for Council consideration:

- Option 1) A bond measure and a levy measure that together do not exceed the original ComSAG recommendation cost of \$0.225/1000AV
- Option 2) A single combined measure to fund both operating and capital ballot measure elements keeping the overall cost at or below the ComSAG’s original recommendation of \$0.225/\$1,000AV.

RECOMMENDATION

Following Council’s request to keep estimated costs as close to the ComSAG’s original \$0.225/\$1,000AV, the City Manager has developed recommendations for which elements to prioritize for the ballot and which to defer to future years. Staff prioritized elements based on:

- Improved response time and firefighter health and safety;
- The ComSAG’s element prioritization;
- Kirkland Fire Department review of near-term needs versus longer-term investments;
- Support for each element on EMC Research’s statistically valid telephone survey;
- Support for each element on the City’s online version of the statistically valid survey;

Because a successful ballot measure is required to secure any of these elements, the perceived importance both with the ComSAG and the community at large, was a key criterion in the final decision making.

Ultimately, staff recommends deferring the training building near new station 24, the second ladder truck, and the 12-hour EMS transport (4 firefighter/EMTs). These elements have value and should be revisited in the future. Deferring these three elements in the two measure (bond and levy) option actually comes in slightly below the ComSAG threshold at \$0.21251. Below is the list of elements staff is recommending be included in both the single measure option and two-measure option.

Capital Elements	
Juanita Station 27 design, build, and relocate east of I-405	\$28,500,000
Houghton Station 22 renovation and modernization	\$9,600,000
Forbes Creek Station 21 renovation and modernization	\$6,100,000
N. Rose Hill Station 26 renovation and modernization	\$8,400,000
Temporary Fire Station Facility	\$3,200,000
Total	\$55,800,000
Operating Elements	FF/EMTS
Dedicated Aid Car at Fire Station 22 in Houghton	10
Cross staff new Station 24 in N. Juanita	5
Additional Firefighter/EMT	5
New Facilities Operating Costs	

This updated list decreases the total capital estimate from \$64.9 million dollars to \$55.8 million dollars and decrease the operating estimate from \$4.4 million dollars to \$3.6 million dollars.

The chart below shows the comparison of the original ComSAG estimates to the final RRT estimates subtracting out the recommended deferred elements. The annual costs assume a median home value of \$730,000 determined by the King County Assessor’s Office for 2020.

ComSAG RECOMMENDATION				
	Total	Annual Cost	Rate	Median Home
Capital	\$58,000,000	\$3,200,000	\$0.10133	\$73.97
Operating	\$3,900,000	\$3,900,000	\$0.12380	\$90.37
Total		\$7,100,000	\$0.22513	\$164.34
REPRIORITIZATION AND FINAL ESTIMATES				
	Total	Annual Cost	Rate	Median Home
Capital	\$55,800,000	\$3,000,000	\$0.09686	\$70.71
Operating	\$3,600,000	\$3,600,000	\$0.11565	\$84.43
Total		\$6,600,000	\$0.21251	\$155.14

DRAFT ORDINANCES:

Staff has provided draft ordinances supporting both Council requested options.

- For the “Bond and Levy” option, a 30-year bond ordinance for capital investments is included as Attachment A, and a permanent levy to fund operating investments included as Attachment B.
- For the “Combined Measure” option, both capital and operating investments are funded with a permanent levy included as Attachment C.

The “combined measure” option would be set equal to the ComSAG original recommended estimate of \$0.225/\$1,000AV and \$164.34 annually for a median home. This recommendation is shown in the chart below. The combined measure still dedicates \$0.11565/\$1,000AV to hiring 20 firefighter/EMTs and ongoing operations and maintenance. Staff recommends dedicating the remaining \$0.01249 to capital as it will be difficult to bond for capital facilities since it would be a permanent levy requiring only 50% voter approval. The additional \$0.01249 would generate \$390,000 each year. Every dollar will count to accomplish building new Fire Station 27 and renovating Station 22 by the 2023 target year.

REPRIORITIZATION AND FINAL ESTIMATES				
	Total	Annual Cost	Rate	Median Home
Capital	\$55,800,000	\$3,000,000	\$0.09686	\$70.71
Operating	\$3,600,000	\$3,600,000	\$0.11565	\$84.43
Total		\$6,600,000	\$0.21251	\$155.14
REPRIORITIZATION AND FINAL ESTIMATES				
	Cost	Annual Revenue	Tax Rate	Median Home
Capital	\$55,800,000	\$3,390,000	\$0.10935	\$79.82
Operating	\$3,600,000	\$3,600,000	\$0.11565	\$84.43
Total		\$6,990,000	\$0.22500	\$164.25

BALLOT OPTION #1 "Bond and Levy":

In ballot option #1, the chart shows the impact if the Council were to place to separate measures on the ballot, one 30-year capital bond and one permanent levy.

With voter approval, the City may issue unlimited tax general obligation bonds – also known as UTGO bonds – for capital purposes (see RCW 84.52.056 and article VII, section 2(b) of the state constitution). Once the bond has been approved and issued, it is repaid through annual excess levies for the duration of the bond, which in this case would be 30 years. When the bonds are paid off, the excess levy expires and is no longer included in taxpayers’ property taxes. Approval of an excess levy requires a 60% approval rate and “validation” which indicates that at least 50% of the voters that voted in the most recent general election also vote for the measure.

The advantage of a UTGO bond is that excess levies provide a stable revenue stream to repay debt. They are automatically sized to pay the principal and interest on the bonds, and as soon as the debt has been repaid, the excess levies cease. Furthermore, they are not subject to the 1% annual levy lid limit like permanent or multi-year levies are, and each year the levy amount is calculated according to the length of the obligation and the associated amortization schedule prepared at the time of the bond sale. The downside of UTGO bonds is that they do require a higher voter approval threshold at 60% and can only be used for capital investments.

Also included in ballot option #1 is a second measure to fund staffing and operating costs with a permanent levy. A permanent levy lid lift increases the annual property tax levy by the amount requested (in this case, \$0.115/\$1,000AV). After the first year, the levy is subject to the one percent property tax levy limitation.

The advantage of the permanent levy lid lift is that the measure never expires, and the levy lid never reverts. The levy lid lift also requires a lower voter approval threshold than the capital bond, of 50% plus 1 vote. However, the downside of permanent single-year lid lifts is that future annual increases may not exceed 1% without going to the voters for another lid lift. This means at some point in the future the purchasing power of the additional 1% becomes less as inflation increases.

BALLOT OPTION #1 – Two Measures					
Capital Elements		Sequenced Cost	Debt Service	Tax Rate/ \$1,000AV	Annual Impact to Median-Valued Home
30-year Capital Bond		\$55,800,000	\$3,000,000	\$0.09686	\$70.71
Operating Elements	FF/ EMTS	Cost in 2021	Annual Cost	Tax Rate/ \$1,000AV	Annual Impact to Median-Valued Home
Perm. Operating Levy	20	\$3,600,000	\$3,600,000	\$0.11565	\$84.43
Total			\$6,600,000	\$0.21251	\$155.14

BALLOT OPTION #2 "Combined Measure":

For ballot option #2, the Council would place only one combined measure on the ballot. The measure would be a permanent levy to fund both capital and operating investments. This option does not generate the \$55.8 million in capital in the first year like the capital bond. In order to avoid a levy increase beyond \$0.225/\$1,000AV, a "pay-as-you-go" (PAYG) option keeps costs nearly identical to the two-measure option. The tradeoff of PAYG is that the revenue will be generated slowly over time, meaning it will take longer for the City to complete the entirety of the suggested capital projects. Ultimately, this option allows the City the possibility of completing all capital projects in the future because it provides a permanent, dedicated ongoing revenue source. The combined measure can also change the balance of capital and operating over time, with more of the revenue shifting to support staffing levels should future Councils choose to do so.

To address the slower influx of revenue, staff would work with the Finance Department, Bond Counsel, and the City Attorney's Office to bring creative recommendations to the Council that would allow the City to complete Stations 27 and 22 in the first three years of the permanent levy. Again, the focus is on those two stations as they are the most expensive and as the two busiest stations, their investments provide the greatest improvements to response times and firefighter health and safety.

In this PAYG option, staff worked with bond Counsel to structure a levy that utilizes the entirety of the \$0.225/\$1,000AV threshold, generating \$3.39 million dollars a year for capital and \$3.6 million dollars a year for operating. This would allow the City to fund all elements listed in the chart on page 2 and provide the option for completing the training building and other capital projects in the future. Ballot option #2 provides the Council the possibility of bringing a measure to the ballot that affordably achieves the same goal of the two-measure approach while needing only a 50%+1 voter-approval threshold.

BALLOT OPTION #2 – One Measure				
Capital & Operating Elements	FF/EMTS	Annual Revenue Generated	Tax Rate/ \$1,000AV	Annual Impact to Median-Valued Home
Capital		\$3,390,000	\$0.10935	\$79.82
Operating	20	\$3,600,000	\$0.11565	\$84.43
One Permanent PAYG Levy	20	\$6,990,000	\$0.22500	\$164.25

CONSIDERATIONS:

There are tradeoffs within and across each approach. The chart on the next page outlines the tradeoffs of placing one PAYG permanent levy to fund capital and operating investments on the ballot versus placing one 30-year bond to fund capital costs and one permanent levy to fund operating costs on the ballot. Highlights represent the same tradeoffs across both options.

Financing	Pro	Con
Ballot Option #1: One Capital Bond AND One Perm. Levy	<ul style="list-style-type: none"> If either measure passes, or there is a net gain for the Fire Dept and residents. Bonding for capital allows projects to be completed sooner. Increases in taxes from the bond cease after 30 years. Levy requires a lower voter threshold than the bond. The levy is a non-expiring resource for annual operating and maintenance costs 	<ul style="list-style-type: none"> Capital requires 60% voter approval. Capital projects not included in the original measure will not be built in the future through the revenue generated with this. Levy is limited to a 1% increase/year and loses purchasing power over time.
Ballot Option #2: PAYG Perm. Levy	<ul style="list-style-type: none"> Levy requires a lower voter approval threshold (50%+1) to pass. Only one vote required to approve capital and staffing elements. Non-expiring resource for annual operating and maintenance costs. Once capital projects are complete, the entire generated revenue can be used toward ongoing operating and maintenance costs. AND/OR Capital projects can still be considered in the future as this measure would have permanent dedicated funding for capital. 	<ul style="list-style-type: none"> Limited to a 1% increase/year and loses purchasing power over time. Capital projects will take longer to accomplish. Increase in taxes never cease, even after capital projects are complete.

DRAFT BALLOT TITLE EXEMPTION LANGUAGE:

At the May 19 meeting, Council evaluated incorporating RCW 84.36.381 into the language of the levy lid lift ordinance, whether one measure or two. This RCW allows certain senior citizens, disabled veterans, and other people with disabilities to apply for exemptions from the tax increase. The language must be written into the the levy lid lift ballot measure title in order for citizens to be able to apply. Currently as written, it adds eleven words to the seventy-five-word limit. However, it does not need to be written into the language of the bond title for citizens to apply. As a reminder, RCW 84.38.030 which provides a property tax *deferral* for certain senior citizens, disabled veterans, and other people with disabilities, is available to citizens to apply to without having the RCW written into the language of either ballot title.

Staff has provided Council with the financial impact of including RCW 84.36.381. Since the revenue needed in both options is less, so has the impact of RCW 84.36.381. Below shows the new estimated impact.

	Kirkland's AV	Capital Rate/\$1000	Operating Rate/\$1000	Ann. Cap. Impact	Ann. Op. Impact
Impact of RCW	(\$364,090,648)	\$0.0011	\$0.0013	\$0.84	\$0.97

*The RRT Final Estimate does not include training building option B, a second ladder truck, or a 12-hour EMS transport.

Including the exempt properties decreases Kirkland's overall assessed valuation by roughly \$364,000,000. This has an impact of about an additional tenth of a penny on the bond and a tenth and a third of a penny on the levy. This adds an additional \$0.84 per year on the bond and \$0.97 per year on the levy. Since the annual revenue generated in the single PAYG option is the same as the combined total of the annual debt service and generated revenue for the two-measure option, the RCW impact is equal for all options.

With these parameters in mind, staff has worked with the City Attorney's Office and the City Manager to begin drafting three ballot measure titles. Tonight, staff is asking for Council's feedback on:

- Which ballot measure option to carry forward into July;
- Whether to include the RCW 84.36.381 exemption language.

The exemption language is currently written into the ballot title of the Option 1 levy lid lift (Attachment B) and the ballot title of the Option 2 levy lid lift (Attachment C) draft ordinances.

NEXT STEPS:

At the March 17 meeting, Council received a preliminary update on the ComSAG's recommendation. At the April 7 meeting, Council received the full report along with the final fire and EMS community survey questions incorporating Council's feedback. At the April 21 meeting, Council accepted the ComSAG report by adopting Resolution R-5413. On May 19 staff received Council's feedback and direction after being presented the survey results from both EMC Research and the City's online version of the survey.

At the June 16 meeting, staff will be previewing draft ordinances and draft ballot title language for the Council. Preliminary ballot title language for both options is below. After Council has decided which option they would like to move forward to July, staff will continue working with the City Attorney's Office and Bond Counsel to refine the next iteration of the authorizing ordinances and optimize ballot titles. Discussion of ballot titles will occur at the July 7 meeting. The Council must act by July 21st to place measures on the November ballots.

Option 1 "Bond and Levy" Draft Ballot Titles

CITY OF KIRKLAND PROPOSITION NO. 1
GENERAL OBLIGATION BONDS
FIRE STATION AND PUBLIC SAFETY IMPROVEMENTS

The City Council of the City of Kirkland adopted Ordinance _____ concerning a proposition for fire and EMS. This proposition authorizes the City to construct and equip a fire station; renovate and modernize existing fire stations; improve firefighter/EMT health and safety; improve response times throughout the City; and issue up to \$56,000,000 of general obligation bonds maturing within a maximum of 30 years to finance such projects; and levy annual excess property taxes to repay the bonds, as provided in Ordinance _____.

CITY OF KIRKLAND PROPOSITION NO. 1
LEVY LID LIFT FOR
FIRE AND EMERGENCY MEDICAL SERVICES AND OPERATIONS

The City Council of the City of Kirkland adopted Ordinance _____ concerning funding for fire and emergency medical services. This proposition would provide funding for fire and EMS, including stockpiling Personal Protection Equipment, hiring additional firefighter/Emergency Medical Technicians, acquiring equipment, improving facilities and response times by increasing the City's regular property tax by \$0.11565/\$1,000 to a maximum rate of \$_____/ \$1,000 of assessed valuation for collection in 2021. The 2021 levy amount will be used as the basis to calculate subsequent levies, consistent with RCW 84.55. Seniors and other individuals qualifying under RCW 84.36 would be exempt.

Option 2 “Combined Measure” Draft Ballot Title

CITY OF KIRKLAND PROPOSITION NO. 1 LEVY LID LIFT FOR FIRE AND EMERGENCY MEDICAL SERVICES AND OPERATIONS

The City Council of the City of Kirkland adopted Ordinance _____ concerning funding for fire and emergency medical services. This proposition would provide funding for fire and EMS, including stockpiling Personal Protection Equipment, hiring additional firefighter/Emergency Medical Technicians, constructing and equipping a fire station, improving existing facilities and response times by increasing the City’s regular property tax by \$0.22500/\$1,000 to a maximum rate of \$1.22500/\$1,000 of assessed valuation for collection in 2021. The 2021 levy amount will be used as the basis to calculate subsequent levies, consistent with RCW 84.55. Seniors and other individuals qualifying under RCW 84.36 would be exempt.

At the June 16 meeting, staff will seek authorization for the recruitment of both pro and con committees.

Calendar	Item
April 21	Council Adopted Resolution R-5413 Accepting Final ComSAG Report
April 22	EMC Research to Begin the Fire/EMS Community Survey
May	Staff to Receive Top Line Results from Survey
May 19	Council Received Survey Responses
June 16	Staff to Bring Draft Ordinance(s) and Draft Ballot Title Language to Council
June 16	Authorize Recruitment for Ballot Measure Voter Pamphlet Statement Pro/Con Committees
June 30	Deadline for Statements of Interest for Pro/Con Committee appointment
July 7	Staff to Bring Further Refined Draft Ordinance(s) and Ballot Title Language to Council for review
July 7	Appointment of Ballot Measure Voter Pamphlet Statement Pro/Con Committees
July 7 or 21	Public Hearing on Proposed Ballot Measure Ordinances
July 21	Last Council Meeting to Adopt Ballot Measure Ordinances
August 4	Pro/Con Committee notice of appt due to King County Elections
August 4	Ballot Measure Resolution due to King County Elections
August 7	Explanatory Statement due to King County Elections
August 11	Pro/Con Statements due to King County Elections
November 3	General Election