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MEMORANDUM

To: Kurt Triplett, City Manager

From: Andreama Campbell, Management Analyst
Tracey Dunlap, Deputy City Manager

Date: October 6, 2020

Subject: Fire and Emergency Medical Services Ballot Measure Issue Paper

BACKGROUND

Adopted at the July 21, 2020 Council Meeting, Ordinance O-4731 placed a permanent levy on the November 3, 2020 general election ballot to improve Fire and Emergency Medical Services (EMS). O-4731 approved a \$0.23513/\$1,000 of assessed valuation (AV) permanent levy which would generate roughly \$7.3 million dollars per year assuming AV at 2020 levels.

INVESTMENTS FUNDED BY THE MEASURE

At their February 21, 2017 Council Meeting, the Council adopted Resolution R-5239 which directed the City's 2017-2018 Work Program to "explore potential ballot measures for fire station modernization and public safety operations to further the goals of Public Safety, Dependable Infrastructure, and Financial Stability." For the past four years, the City Council has explored a potential Fire and Emergency Medical Services ballot measure to support the health and safety of our firefighter/Emergency Medical Technicians (EMTs) and response times throughout Kirkland. At their September 17, 2020 Council meeting, the Council adopted Resolution R-5386 which authorized City staff to engage a Community Safety Advisory Group (ComSAG) consisting of thirty community members who met for eight, three-hour long meetings over the course of five months to determine the most impactful investments for the community. The City Council deliberated in the months following the ComSAG's recommendation and ultimately approved R-5413 at their April 21, 2020 Council Meeting adopting the ComSAG's full report and recommendation of capital and operating investments listed on the following page.

The original ComSAG recommendation was to place two measures on the ballot, a permanent levy lid lift to support operations and an excess levy to support bonds to fund the capital projects, which would expire at the end of the bond term. The Council subsequently chose to put one combined permanent levy lid lift measure on the ballot to provide flexibility for future Councils to adapt to any necessary changes once the initial commitments have been achieved or in the event that some facility investments may prove infeasible or prohibitively expensive. During the Council deliberations it was acknowledged that an important consequence of this approach is that capital revenue would be generated more slowly over time. The "one measure"

option means it will take longer for the City to complete the entirety of the planned capital projects. In addition, the permanent nature of the levy requires that revenue growth from the levy lid lift is limited by state law to 1% growth plus new construction. This statutory limit means that the revenues will not likely keep pace with the growth of wages and benefits necessary to fully fund the firefighter/EMT positions over time.

To address the slower influx of revenue, City staff is working with bond counsel to bring financing recommendations to the Council that would allow the City to complete Stations 27 and 22 in the first three years of the permanent levy. The focus is on those two stations as they are the most expensive and, as the two busiest stations, the investments provide the greatest improvements to response times and firefighter health and safety.

| Capital Elements* | Cost | |
|--|--------------|-------------|
| Juanita Station 27 design, build, and relocate east of I-405 in 2022 | \$28,500,000 | |
| Houghton Station 22 renovation and modernization in 2022 | \$9,600,000 | |
| Forbes Creek Station 21 renovation and modernization in 2025 | \$6,100,000 | |
| N. Rose Hill Station 26 renovation and modernization in 2024 | \$8,400,000 | |
| Temporary Fire Station Facility in 2022 | \$3,200,000 | |
| Total | \$55,800,000 | |
| Operating Elements | FTEs | Annual Cost |
| Dedicated Aid Car at Fire Station 22 in Houghton | 10 | \$1,690,000 |
| Cross staff new Station 24 in N. Juanita | 5 | \$845,000 |
| Additional Firefighter/EMT | 5 | \$845,000 |
| New Facilities Operating Costs | - | \$220,000 |
| Total | 20 | \$3,600,000 |

* Each station’s cost projections are based off the individual years in which their construction would begin as proposed by the Recommendation Review Team. If construction is delayed on these projects, they will become more expensive. Conversely, costs may be saved if construction begins earlier.

The 2021-2022 Preliminary Budget does not incorporate the revenue or expense impacts of the measure. Given the size and complexity of the measure and that the election will not occur until after the preliminary budget goes to print, the required budget adjustments will be brought forward in the first quarter of 2021 if the measure passes.

POTENTIAL 2021 REDUCTION IN ASSESSED VALUE (AV)

At the time Ordinance O-4731 was adopted, the City was only able to estimate what the Eastside’s assessed valuation would be in 2021. In early July at a King County City Manager/City Administrator’s virtual meeting and in subsequent press releases, the King County Assessor indicated that current information is that AV trends were showing a slight decrease in the high value areas on the Eastside, while south King County was increasing. What this means

is that if the AV in Kirkland decreases in 2021, the levy will not collect the projected revenue needed to fully fund the ballot measure investments expected by the voters.

On July 17, 2020, the Council was presented with options to mitigate the risk of a reduction in AV reducing the capability to deliver the program. The Council opted to add one cent to the levy, increasing it to \$0.23513/\$1,000 AV, to approximately offset up to a 5% reduction in AV.

It is important to note that Council directed that staff not to program additional revenues beyond the original levy of \$0.22513/\$1,000 AV should Kirkland's AV not decrease at all, or not decrease to an amount that the entirety of this additional penny will be needed. If the levy generates an amount greater than that needed for the program, staff will bring options for Council's consideration in the first quarter of 2021, as discussed further below.

ASSESSED VALUATION HOLDS STEADY OR INCREASES

On October 5, the City received a preliminary levy limit worksheet for Kirkland's 2021 AV that indicated AV will likely be about flat from 2020 levels. If these figures hold, the additional one cent added to the levy rate will collect about \$311,600 more revenue each year than projected to deliver the investments outlined in the ballot measure ordinance. Should this occur, the Council will have the option in 2021 to either invest the additional revenue to support the capital program, enhance services or not collect the additional revenue.

Any additional revenue generated by the levy must also comply with the categories outlined in the enacting ordinance. This means that additional revenue may only be spent on "fire and EMS services and facilities" as defined in Section 1 by the ordinance. These revenues may be invested in facilities, vehicles or operations. This includes enhancing any current or proposed services such as fire and EMS response related programs, fire station construction costs, mental health support services authorized by the Medic One levy, fire prevention or additional staffing.

The chart below shows the impact of rounding up the levy tax rate an additional \$0.01/\$1,000 AV from \$0.22513/\$1,000 AV. The chart assumes the assessed valuation in 2020 of \$31,160,621,400 (which includes RCW 84.36.381) holds steady.

| 2021 | \$0.22513/ \$1,000 AV | \$0.23513/ \$1,000 AV | Difference compared to expected revenue |
|---|----------------------------------|----------------------------------|--|
| Est. Annual Revenue | \$7,015,191 | \$7,326,797 | \$311,606 |
| Est. Impact Median-Valued Home (\$730,000) | \$164.34 | \$171.64 | \$7.30 |

The Council also has the option of not collecting the full levy amount. The City Council adopts the tax levy annually each December. Under state law, the Council may set the annual rate to collect less than the levy rate authorized by voters but cannot set it higher. One important consideration is that the revenue generated by the initial rate in the first year becomes the base for all future years. The 2021 total amount is then subject to the 1% property tax cap going forward. The Council cannot raise the rate back up in future years without voter approval.

The staff recommendation is not to decide whether to invest or return any potential additional revenues until the first quarter of 2021. Waiting provides the Council with more data to make a more informed choice. The Council will be able to see the final 2021 assessed valuation and learn what will happen to City revenues and the economy during the budget process. Once the City has this additional information, the Council can deliberate options to either invest or not collect the revenue in Q1 of 2021. If the Council elects to lower the tax rate, it may still do so in December of 2021.

SUMMARY OF BALLOT MEASURE BENEFITS

If the levy passes, the Kirkland Fire Department would hire an additional 20 firefighter/EMTs over the course of the next few years. Ten of these additional firefighter/EMTs would provide a dedicated aid car at station 22 in Houghton, the busiest station in the south half of the City. Of the remaining ten firefighter/EMTs, five would staff one position at the new station 24 in North Juanita, creating a fully cross-staffed crew of three, and the last five would provide a fourth firefighter/EMT at station 26 in Rose Hill. The department would also invest in replenishing and stockpiling personal protective equipment (PPE), to protect against a resurgence of COVID-19 in the winter or other types of outbreaks in the future.

Stations 21 in Forbes Creek, 22 in Houghton, and 26 in Rose Hill would undergo extensive renovations similar to the Finn Hill fire station 25 in 2018. These renovations would provide for greater seismic resilience, and improved levels of firefighter/EMT health and safety modernizations. Old station 27 in East Juanita would remain where it's currently located and provide a hub for the replenished and stockpiled PPE, the reserve apparatus, one of the City's fueling stations, and a potential quarantine facility as it has ten beds and would no longer be in service once a new station 27 is built. New station 27 would be built in Totem Lake, east of I-405 off of NE 132nd Street at the Evergreen Dental Building at 13118 121st Way NE. This new station would house eight firefighter/EMTs and provide the city with a second station east of I-405. These investments can be seen in detail on page 5, with new investments outlined with blue boxes.

IMPLEMENTATION PLANNING

The City Manager has created a "Implementation Steering Team" of Fire, Finance, Public Works, Human Resources, and the City Manager's Office to actively plan for the measure implementation should it pass on November 3. Key deliverables including the following:

- Financing plan for the capital projects. This plan is needed to recognize that the single levy lid lift approach will likely extend the schedule for completion of the capital program. This plan will focus on fully funding new station 27 and improvements to station 22 (and the temporary station) as quickly as feasible, with the remaining projects occurring as funding permits.
- Hiring plan for 20 new firefighters. Given the limitations on spaces available to Kirkland in fire training academies and expected retirements of existing staff, the new firefighters will likely need to be phased in over a three-year period. The logistics and timing will also depend on when facilities are available. Hiring more women and people of color as firefighters will also be a key implementation goal.

- Operations plan. This plan will address how best to deploy the resources to maximize response times and manage the impacts of the capital program, including possible changes to the collective bargaining agreement to implement the plan.
- Communications plan. This plan will ensure the public is aware of the renovations and the temporary impacts that firefighter relocations may have and to establish how annual progress is reported.

Updates on these plans will be included when the required budget adjustment is brought forward in the first quarter of 2021.

The image below shows the current levels of staffing as well as the proposed investments from the ballot measure outlined in blue. The graphic does not show the investment in replenishing and stockpiling pandemic personal protective equipment (PPE), which would be stored at existing Fire Station 27 in Juanita.

