Tukwila Future Fire/EMS Service Community Advisory Committee

Meeting 5

Tuesday, February 15, 2022 | 4:00 PM – 6:00 PM

The meeting will be conducted on Zoom. Join Zoom Meeting: https://us02web.zoom.us/j/7558840726?pwd=d3NDRjhIQ0hYckpUUGNzRndpK2hqUT09 Phone in information: (253) 215-8782 | Meeting ID: 755 884 0726 | Passcode: 482717

Agenda

1. Welcome Chair (2 min.) *Verna Seal*

2. Review of Agenda (1 min.) *Karen Reed, facilitator*

3. Review and approval of February 1 meeting summary (3 min.) *Karen*

4. Election of Vice-Chair (3 min.)

5. Schedule Update (5 min.) *Karen*
   - Additional / final meeting on May 3 (Tuesday 4-6)
   - Council briefing on our progress after Meeting 6 (March 14 or 21)

6. Response to questions asked at previous meeting (10 min.) *Staff Team*

7. Meeting 4 Re-cap/Continued discussion: (30 min.) *Karen*
   - Enhance Services
   - Fiscal Sustainability
   - Criteria discussion

--break-- (5 min.)

8. **Options 3 and 4** (50 min.)
   - Re-cap: How Property taxes work as a funding source.
     - Options 1 & 2
   - **Option 3**: Tukwila Fire District supported solely by property taxes
   - **Option 4**: Tukwila Fire District supported by property taxes and a fire benefit charge
     - Deeper dive: Fire Benefit Charges

- **Questions? Pros / Cons** about these options that come to mind?

  (Note: the 3-page matrix from Meeting 3 comparing cities, fire districts and RFAs is sent with the meeting packet as refresher, as we dive into Options 3 and 4)

9. IAFF Union Comment (3 min.) *IAFF President James Booth*

10. Next Agenda (1 min.) *Karen*

11. Adjourn (2 min.) *Verna*

Future of Fire/EMS Services Community Advisory Committee
February 1, 2022
Virtual Meeting due to COVID-19 Emergency
4:00 p.m.

MINUTES

Present
Committee members: Jim Davis, Katrina Dohn, Peggy McCarthy, Andy Reiswig, Dennis Robertson, Verna Seal, Sally Blake, Hien Kieu. Ramona Grove, Abdullahi Shakul, Ben Oliver

City staff & consultants: Allan Ekberg, Nora Gierloff, David Cline, Laurel Humphrey, Norm Golden, Jay Wittwer, Vicky Carlsen, Niesha Fort-Brooks, James Booth, Karen Reed, Bill Cushman

1. Welcome, Introductions
   Chair Seal called the meeting to order.

2. Review of Agenda
   Ms. Reed reviewed the agenda.

3. Review and approval of January 4, 2022 Committee meeting minutes
   Ms. McCarthy requested an amendment to the fifth bulleted point on page 3 as follows:
   - ~~*3.2% increase per year in revenue is reasonable for the City.*~~ 3% increase in fire department expenditures is reasonable.

   Ms. McCarthy moved approval of the minutes as amended and Mr. Robertson seconded. The motion carried and the minutes were approved as amended.

4. Election of Vice-Chair
   Ms. Reed requested nominations for the position of Vice-Chair. Ms. Blake nominated Ms. McConnell, and Mr. Shakul nominated Ms. Kieu. Ms. McConnell was not present to accept the nomination and Ms. Kieu wanted time to consider whether she was willing to be nominated. Ms. Reed will follow up with both Ms. McConnell and Ms. Kieu before the next meeting and place this item on the next Committee agenda.

5. Responses to questions asked at previous meetings
   Ms. Reed reviewed a list of responses. Mr. Robertson asked for a more detailed response regarding what the City has implemented from the CPSM study in terms of efficiency and cost reduction recommendations.

6. <u>Recap of Meeting 3 Presentation/Continued Discussion</u>

Ms. Reed reviewed the presentations and discussion. New comments and questions from the committee included:

- Its important to consider changing times, avoiding debt, thinking creatively, improving service.
- I'm comfortable with prioritizing recommendations on enhanced services, but not comfortable talking about cuts to other city programs.
- Cuts from other departments should only be necessary; as a last restort, I would be in favor of cutting from parks as these are hard to maintain and enforce use. The City should not be developing new parks right now.
- **Q**: Is it not feasible to contract for inspection services? **A**: Its possible but must be bargained.
- **Q**: Is it possible to look into the cost of contracting for inspection services? I assume that contracting out would reduce costs quite a bit, is it possible to estimate one year? **A**: We will look into this.

Committee members discussed Question 1: Assume no new funding is available and adding these services will mean cuts in other city programs. Would you support adding any of these, and if so, which options? Responses and questions included:

- **Q**: Inspection revenue seems low, and there is an opportunity to bring in more. Would that revenue help address this question? **A:** Inspection fees would never be high enough to offset the cost of FTEs.

Several committee members noted the difficulty of voting on this questions – not comfortable advising the council here, need more information. Accepting these many caveats, the last round of discussion led to the following input:

- I would support inspectors if offset by fees. The public education piece could be with existing emergency management staff. I don't understand cost/equipment needs associated with Cares unit.
- Yes to fire inspectors, even if it takes cuts; CARES, no. Public educators ok but not with new staff.
- I support Option 4 (Cares unit + 1-2 Fire Inspectors)
- No to funding through cuts (6)

Committee members discussed Question 2: If new taxes would be required to fund these programs, which, if any, of these options would you support.

- I support enhanced services with new taxes. (5 responses)
- **Q**: What is the annual cost for a $500K home? **A**: Approximately $65
- A new tax should be a last resort. We have to have inspections. (2 responses)
- I support enhanced services with new taxes, but also reducing costs wherever possible.
- Abstain (2)

Committee members discussed a potential definition of financial sustainability. There were no objections to the proposed definition. Comments included:

- The definition should also consider debt.

The next discussion focused on criteria the Committee members think are important in order to make a recommendation to the Mayor and City Council on which option for future Fire/EMS service they prefer. Suggested criteria included:

- Ensure diverse needs of community are met; leveraging other resources for this purpose.
- Total costs, considering costs to residents and businesses.
- Labor considerations
- Operational and financial control over decisions.
- Weigh the cost and overall quality of service, not just response times. What does quality mean for our community?
- Accountability and performance measurement.
- Public education means programs available to schools.
- Ability to keep up with changing demands
- Educating diverse community with language access.

7. <u>Fire Labor Relations 101</u>
   Deputy Chief Golden provided an overview of Fire Labor Relations
   - **Q**: Does a change to shift staffing require a new contract: **A**: The goal is to all be on same page with any decision to change.

8. <u>Comparing the Options: Blank Template</u>
   Ms. Reed presented a draft template for comparing options. Additional suggestions included:
   - Add qualitative assessment regarding sustainability/scalability. Could the solution accommodate future growth?
   - Show costs to residents and businesses.
   - Cross reference options with criteria.

9. <u>Options 1 (Status Quo) and Option 2 (Status Quo plus Service Adds)</u>
   Ms. Reed presented an overview of potential options for future service delivery.

10. <u>Union Comment</u>
    Captain Booth shared that this work is difficult and is common in the fire service industry due to the recession and housing market. Tukwila is not alone.

11. <u>Next Agenda/Adjourn</u>
    Ms. Reed reviewed the February 15, 2022, preliminary meeting agenda.

The meeting was adjourned at 6:01 P.M. by unanimous consent.

Minutes by LH

City of Tacoma
Future of Fire/EMS Services
Community Advisory Committee

Meeting Schedule for Meeting 3-9 + one additional meeting and council briefing

All dates are **TUESDAYS,** from 4:00 p.m. to 6:00 p.m. All meetings will be conducted on Zoom unless we are able to meet in person.

If you are unable to attend any of the meetings, please let Karen know (kreedconsult@comcast.net / 206 932 5063)

Meeting 3 January 4, 2022

Meeting 4 February 1, 2022

Meeting 5 February 15, 2022

Meeting 6 March 8, 2022

Update to City Council at a Council meeting on either March 14 or 21

Meeting 7 March 22, 2022

Meeting 8 April 5, 2022

Meeting 9 April 19, 2022

Meeting 10 May 3, 2022

Additional meeting may be scheduled if there is a request from Council and/or additional time is needed for the committee to complete its work.

Future of Fire/EMS Services Community Advisory Committee (v. 2.10.21)

	Question Received	Question	Response / Status
1	Meeting 1	*Provide number of calls by type (EMS vs Fire) per day, per station* *Note that 2 stations were recently relocated which impacts relevance of per-station call data from before the present locations were active.*	Calls by station district provided on 12/14.
2	"	*Provide data/outcomes from other cities that joined a regional effort*	Pending (will be presented later)
3	Meeting 2	*Provide information on how much of their general fund budget/property tax the cities of Renton and SeaTac were expending on Fire before they formed an RFA (Renton) or contracted with an RFA (SeaTac)*	Provided in Meeting 3 packet
4		*Would additional **fire investigation** and **permitting/fire inspector** staff pay for themselves through fees? Generally, what can we expect in terms of Fire Marshal office generated revenue?*	Provided in Meeting 3 packet
5		*How many inspections does one inspector complete in a year on average?*	Provided in Meeting 3 packet
6		*Does the Fire Department and/or City have a preference/priority in terms of these enhanced services?*	Provided in Meeting 3 packet
7		*Where would the money come from to fund enhanced services?*	This will be discussed in Meeting 4 (Feb 4)
8		*What is the staffing model for a CARES unit?*	Provided in Meeting 3 packet
9	After meeting 2	*A summary of project future City revenue streams (particularly sales tax) for the next ten years or so.*	We can provide a 6-year forecast. (Vicky Carlsen)
10	"	*Definition of fiscal sustainability?*	This is a discussion item for the Committee
11	"	*Can you provide comparables for total salary, total compensation cost (TCC), retirement benefits and medial plan benefits in other fire service providers in South King County*	We will provide this data for Renton RFA and Puget Sound RFA when we explore those service alternatives.
12	Meeting 3	*Can you provide information on what the City has done with respect to the efficiency and cost reduction recommendations in the CPSM report?* • *Additional info on this requested at Mtg. 4*	See REVISED response below.

13	“	*Can we charge other fire agencies for responding to calls in their territory? Could this offset our costs?*	Provided in Meeting 4 Packet
14	Meeting 4	*Could we contract out inspection services and would that cost less than doing it ourselves?*	See response below

<u>Responses to questions asked at Meeting 4:</u>

12. Can you provide <u>additional</u> information on what the City has done with respect to the efficiency and cost reduction recommendations in the CPSM report?

Several items from the CPSM report have already been implemented by the city. Emergency Management (EM) services was moved from the Fire Department to the Mayor/Police Department. The EM division has also worked on updating the Tukwila Comprehensive Emergency Management Plan (CEMP), developing a Continuity of Operations Plan (COOP), and training staff on Emergency Operations Center (EOC) functions. Some of the cost savings recommendations also are in progress through our Fee for Service programs. Examples are the fee for false alarms for fire protection systems, and the fee for responding to car accidents.

The Fire Marshal’s Office (FMO) has the greatest opportunity to find savings and enhance services. An example is the plan to partner with Puget Sound Regional Fire Authority to provide fire investigation services. This concept is before council for direction. If approved, the new Fire Investigation Unit could be in place in March 2022. The other opportunities in the FMO are being presented to the Fire/EMS Service Community Advisory Committee for examination. There is potential for new revenue streams, increased service, and expansion of the FMO for the committee to review.

The most impactful financial considerations from the CPSM report are also before this committee. The CPSM report identifies the cost of wages being the major component of the fire department budget. The decision to reduce the number of stations from four to three would create substantial savings. The same is true for the number of units staffed in the city. These decisions are complex and directly impact service levels. The committee will be presented with the data to analyze these recommendations and provide feedback to the council.

14. Could we contract out inspection services and would that cost less than doing it ourselves?

The Firefighter’s Union is open to any of the three proposed enhanced services being contracted out. In terms of fire inspection specifically, there has been discussion of regionalizing this service—as has been done for training. This has not yet been implemented because the fire agencies in south King County staff this service differently (for example, Renton Regional Fire Authority (RFA) uses civilians, and most if not all other agencies use uniformed personnel). The staff team assess that if a regional option were ever stood up, it would provide meaningful savings to all participating agencies over providing this on a individual basis.

Meeting 4 Recap & Discussion

1. Enhanced Services
2. Fiscal Sustainability
3. Criteria for making a committee recommendation – possible matrix, discussion
4. Options 1 and 2

Enhanced Services Discussion

Question 1: Fund if it requires cuts to other services?

Preliminary Votes: Several committee members noted that there are too many unknowns in this question to be able to vote on this.

- 6 Committee Members said NO—don't fund any of these services if cuts are required elsewhere.
- Other input:
  - Yes, make cuts if needed to fund Fire Inspectors, but also increase FMO fees. Not sure about CARES. No for cuts to fund educator—do this with existing staff
  - Yes, fund Fire Inspectors with cuts, CARES—no. Yes for public educators but try to use existing staff.
  - Yes, cut Parks as a last resort. All 3 are important to public safety
  - Yes, to fund CARES and Fire Inspectors

Enhanced Services

Question 2: Fund if it requires new taxes?

(about $0.13 to fund all proposed services at maximum level; translates to $65/year for a property with assessed value of $500,000)

Preliminary votes:

- NO -- 1, but would consider taxes for fire inspectors.
- Abstain -- 2
- YES, but only as a last resort -- 2
- YES – 5

Fiscal Sustainability

- Preliminary Consensus (80% or more of members present), but **not unanimous** agreement, that that the *City has demonstrated Fire Department service levels cannot be maintained over time within available revenues without cutting other department budgets*.

Fiscal sustainability

- <u>Preliminary Consensus (80% or more of members present),</u> again, not unanimous, that fiscal sustainability could be defined as follows:

  A fire agency is considered fiscally sustainable if it can maintain service levels within available revenues – in the City's case (as a government providing many services), this means maintaining fire/EMS service levels without negatively impacting services in other City departments competing for the same funding.

- Question posed: ***what about debt?***
  - Staff would note that it is fiscally responsible to seek debt funding for major capital assets rather than cash fund.
  - Debt is always associated with a revenue stream (voter approved tax levies). The problem would be when you have debt w/o a payment stream—Cities can't incur debt w/o a source of repayment.

Criteria for making a recommendation

Ideas included:

- Ensuring diverse needs of community are met
- Total costs, considering both costs to residents and businesses
- Impact on labor force, recruitment and retention
- Control over operational and financial decisions
- Overall quality of services provided (response times and more)-
  - Ability of service provider to meet needs of diverse community with very large business sector
- Accountability for outcomes/ ability to measure outcomes
- Is public education offered?
- Ability to keep pace with changing/growing community (scalability)
- Sustainability of funding

Corrections?
Additional criteria?

Criteria Matrix Draft

		Option 1	Option 2	Option 3	Option 4
A	Ability of provider to meet needs of diverse population				
B	Ability of provider to meet needs of large business community				
C	Total costs, considering both costs to residents and businesses				
D	Impact on labor force, recruitment and retention				
E	Control over operational and financial decisions				
F	Overall quality of services (response times ***and more***)-				
G	Accountability for outcomes/ ability to measure outcomes				
H	Is public education offered				
I	Ability to keep pace with changing/growing community (scalability)				
J	Sustainability of funding				

Discussion: Measuring how options meet the proposed criteria

- Ability to meet needs of diverse Community
- Ability to meet needs of large business community
- Total Cost to residents and businesses

Measuring Criteria, cont'd.

- Impact on labor force, retention, recruitment
- Control over operational and financial decisions
- Overall service quality, response times ***plus***

Measuring Criteria, cont'd.

- Accountability for outcomes, ability to measure outcomes
- Is public education offered?
- Ability to keep pace with needs of growing community
- Sustainability of funding

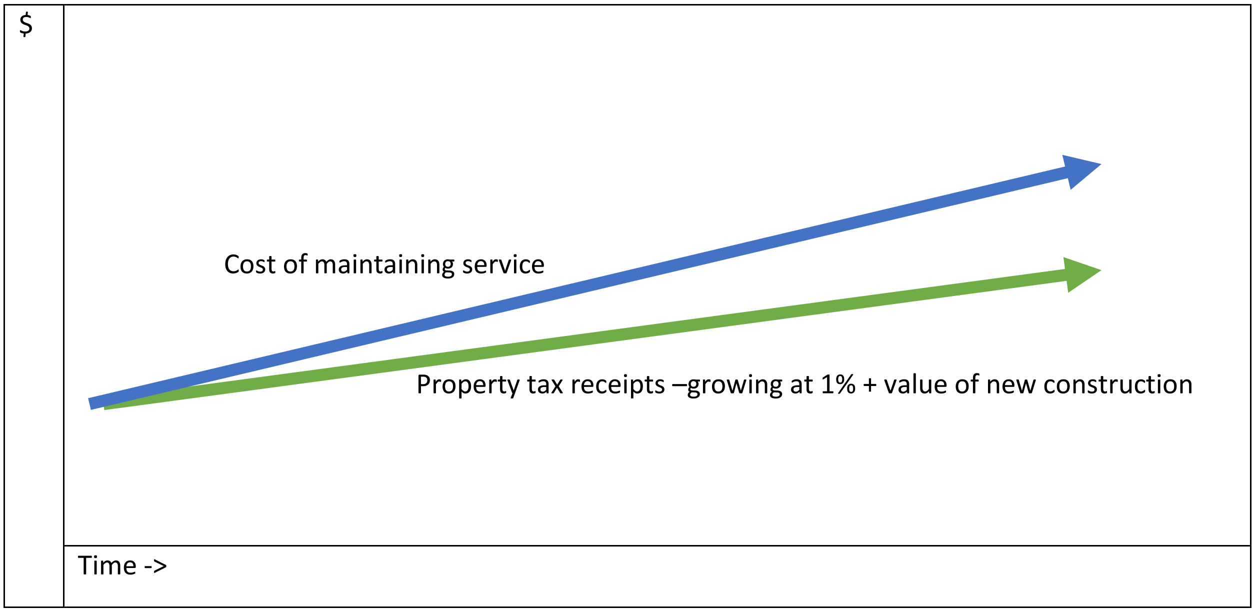
Options 1 and 2

- Option 1: Status Quo
- Option 2: Status Quo PLUS Enhanced Services (2 new fire inspectors, CARES unit, public education)

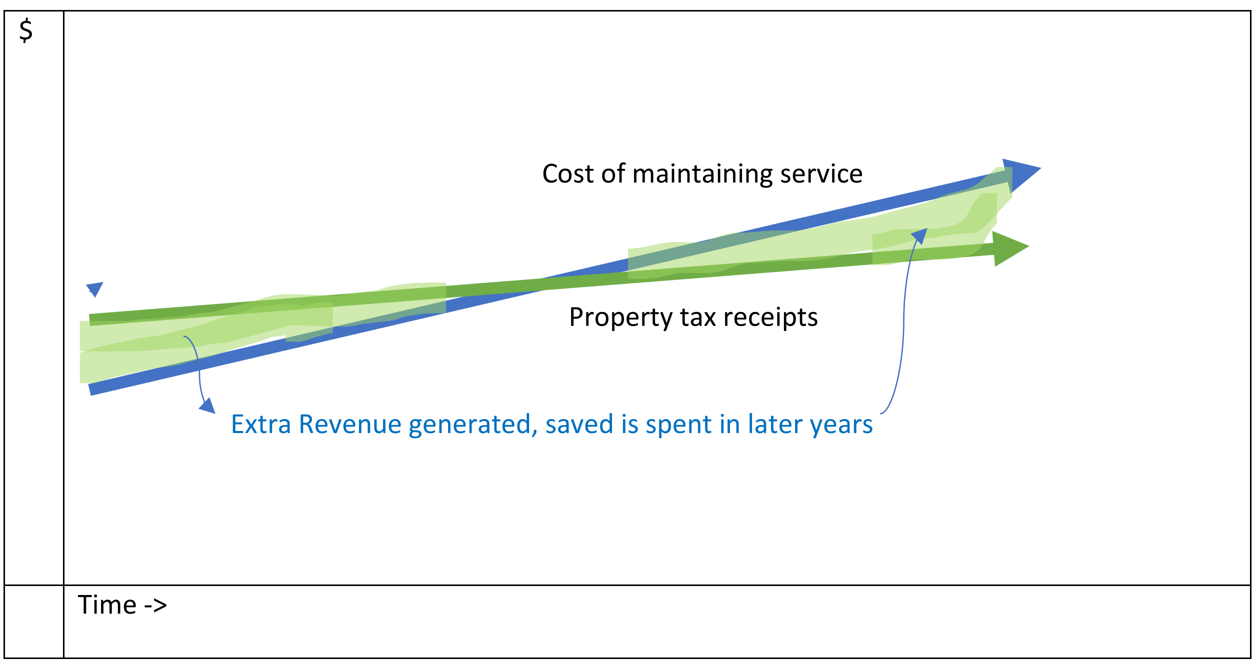
Additional questions or observations about these options?

Re-cap on How Property Tax Works & How Agencies Address the 1% Limit on Collections

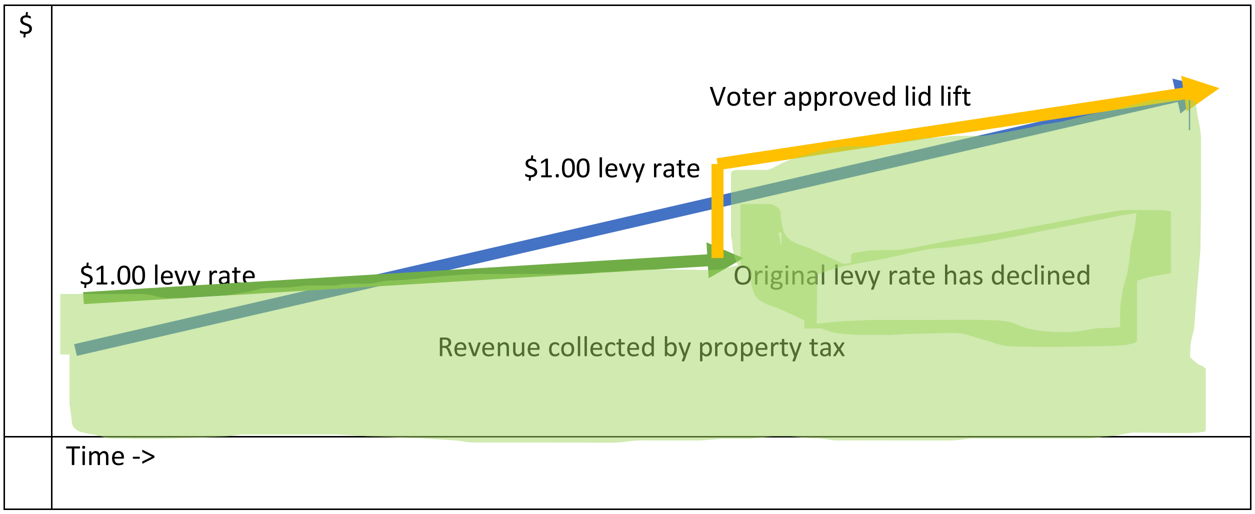
Cost of maintaining fire/EMS service grows faster than property tax receipts—collection of revenue from any regular property tax levy is capped at 1% more each year plus new construction. Operations costs for the Fire Department grow around 3-6% year, depending on inflation, growth in salaries/benefits.



To address this lagging purchasing power, agencies dependent on property tax –*if they can*-- impose a higher tax rate than they will spend in Year 1 and spend down the excess revenue in future years as property tax receipts don't keep up with the cost of business.

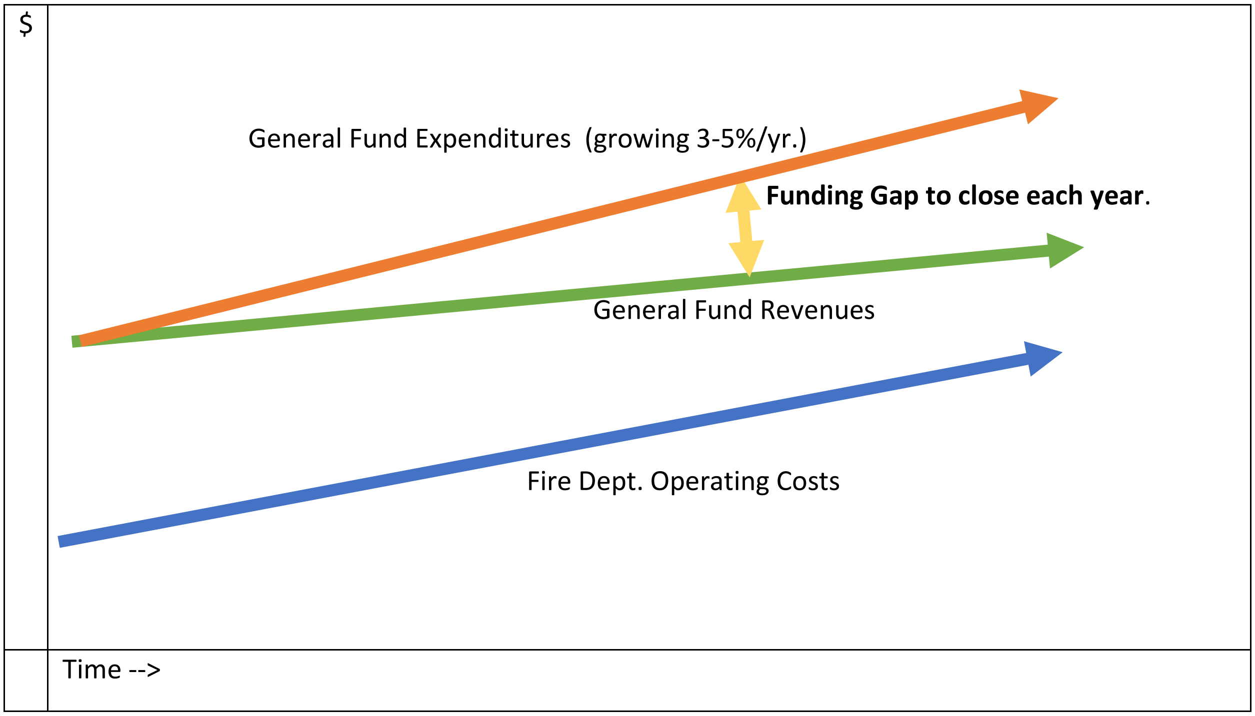


Even with this “reserve now, spend later” approach, eventually the property rate tax needs to be lifted back to its original rate every few years to keep up with inflation. As assessed values grow, the original tax rate, restored, will collect more than it did originally. The election is basically timed to help continue service levels for several more years. Repeat. Repeat. One could say this increases accountability to voters—agencies have to make the case to their voters to justify their expenses and request new funding every few years. But this creates ongoing uncertainty in the ability to maintain services and staffing.



Option 1 (status quo) and Option 2 (Status Quo PLUS Enhanced Services)

Every year the City has to choose how to close the funding gap in the General Fund—the difference between the growth, year to year, in all general fund services (police, parks, fire, admin).



The funding gap can be closed 2 ways:

1. **Cut the budget**. At the start of each year, the orange line (General Fund Expenditures) has to match the green line (expected General Fund revenues). Today, all budgets are under scrutiny for savings and efficiencies. To preserve fire department service levels, today cuts are imposed on other programs.

2. **Add revenue:** Raise the orange line – most likely path is a voter approved property tax lid lift. It can be for "general city purposes" or "fire department" (or some other general fund purpose).

   A "fire department lid lift" could only be used to support fire department operations. It could be sized to ensure that the department's service levels were maintained over the term of the lid lift (typically about 6 years – after that, inflation/assessed value increases have eaten into the levy to the point that it needs to be renewed/re-submitted to voters to restore purchasing power). Alternately, it could also be sized to include funding for some or all Enhanced Services.

   A lid lift could also simply ensure funding for Enhanced Services, leaving the current fire department costs in competition with all other general fund departments.

Option 3: Create a Tukwila Fire District, funded solely by property taxes (no Fire Benefit Charge)

Service Provider: A new governmental entity and taxing district—the Tukwila Fire District -- authorized by the voters, with boundaries that are the same as the City boundaries.

Brief description of option
State law (RCW 52.02.160) provides that a city may by resolution seek voter approval to create a fire district with boundaries the same as city boundaries.

The governance for the new District can be either:

(1) the City Council; or

(2) an independently elected board of seven fire commissioners (since the budget for the district would exceed $10M a year (RCW 52.14.140(3) (c)).

The City would either transfer ownership or lease all fire department assets to the new fire district. The bonds on Stations 51 and 52 would still need to be repaid by the City – there may be legal barriers to transferring title to stations while the debt is outstanding. (Note that transfer of equipment and/or facilities may trigger the obligation to pay a sales & use tax.)

All employees of the Fire Department are also transferred to the Fire District; employees retain their seniority, retirement, vacation leave, etc. rights (RCW 52.02.180). The current collective bargaining agreement would be subject to renegotiation if either the new District leadership or the union so desired.

The new District would need to hire **additional administrative staff and would have some start-up costs.** The number of staff hired, and the overall cost would depend on whether, and to the extent to which, the new District contracted for administrative services from the City or others.

There are four main components to this additional set of costs:

- Start up costs (new computers, phones, etc.) estimate $1-$2 million in one-time costs.
- Ongoing administrative costs: estimates range from $1-2.5 million per year
  - If the City provided some administrative services, the cost would be less.
  - Some services could *not* be provided by the City: even with the City's help, the District would probably need a minimum of 2-3 administrative staff, and would need independent legal counsel, would need to pay for an annual audit, etc.
- Because districts are reliant solely on property taxes (plus self-generated revenues and grants) for ongoing revenue, and because property tax is transmitted only twice a year by the state to taxing districts (May, October), the City would need to loan the District **"fund balance"** – cash to pay the bills between January-May. This would take the form of a loan repayable to the City over a few years.
- Property tax reliance also means that the **excess levy** would need to be sized to support operations over time—**excess levy reserve funds** the first few years to pay costs in the last few years.

In this option, the new Tukwila Fire District would not have a Fire Benefit Charge; it would rely almost entirely on property tax for funding (plus self-generated revenues and grants—a minor piece today, but there is room to grow revenue here).

Based on a midpoint range $1.75M in ongoing administrative staffing and administrative costs, and ***excluding*** *one-time start-up costs, fund balance loan costs, enhanced services, LEOFF and fire station debt (retained by City), the total operating cost of the Fire Department under this model requires a total levy rate* -- is estimated at **$1.99/$1,000 AV in 2022, before calculating the excess levy reserve needed.** The gap between $1.50 (the maximum fire levy rate) and this higher cost range would need to be covered by either (or both):

- A City cash contribution each year
- A voter-approved excess levy (60% approval required) – a **$0.49 cent excess levy in 2022** (before calculating the bump in the rate needed to maintain purchasing power and address inflation over 5-6 years).

Both the basic fire levy and any excess levy would need to be restored by voters periodically to maintain purchasing power.

An excess levy for the District could not be submitted for voter approval at the same election that the District is being created, so at least initially, a City contribution would be necessary to maintain current services—and one could not assume the voters would approve the excess levies once placed on the ballot.

The cost of operating the Fire Department would come off the City's budget, except that the currently outstanding fire station bonds would remain a city obligation, as would any funding support the City provided to the District. The taxes to repay the fire station bonds, earlier approved by voters, would not be affected.

The City's levy capacity would be reduced by the amount of the fire district's initial levy ($1.50 per $1,000 A.V.) (RCW 52.02.160(b)(ii)). Note that this a greater reduction on the City's levy than if the City were to contract for services with another agency (no levy reduction) or annex into another agency (reduction depends on their financing structure). The City's new maximum property tax rate would be $2.10/$1,000 AV ($3.60/$1,000 AV less $1.50/$1,000 AV). The City's current levy rate is $2.18 (but the City would no longer have the expense of the Fire Department on its books).

As part of the ballot measure to create the District, the City would want to consider committing to voters that it will reduce the City property tax levy by the amount of funding the City no longer pays to support the Fire Department. This could later be recouped by the City as banked capacity if it so chose.

Overview of service provider (services, governance, finances (tax rates, % of budget received from FBC, other fees, taxes)

The new Tukwila Fire District would be a separate unit of local government. Under this option the District would utilize solely property tax, grants and fees for its operations. *In reality, the District would have the ability to ask its voters for a benefit charge at any time* – the point of Option 3 is to explore whether the District could rely solely on the maximum fire levy allowed by law and maintain current service levels: the answer to that is "no."

The District would have a maximum fire levy rate of $1.50/$1,000 AV. Once created by voters, the District could also ask voters to approve excess levies to support operations, and could also ask voters to approve taxes to pay off bonds (for station upgrades).

Timeframe: Earliest date on which this option could be implemented The timeframe for this would be relatively quick. The vote to create a new Tukwila Fire District must be placed before the voters at a general election (November) following adoption by the City Council of a resolution to create the District, however, the City would need to develop a workable financial plan for the District in advance of bringing this to the voters. If the proposal is to have an independently elected board of commissioners (rather than the Council serving as the governing board), the election of all seven initial fire *commissioners must be on the same ballot as the vote to create the district.* (RCW 52.02.160(2)(b)). To ensure a robust election, there would need to be time to advertise the offices and encourage candidates to run for commissioner positions. (Candidates need to be District residents).
Major implementation steps (negotiation, council action, service provider actions, voter approval, etc.) The City would need to develop the financial plan for the District and the Council would need to determine its preferred governance model. The Council would adopt a resolution outlining these matters. The Council must hold a public hearing before passage. Under this Option 3, the financing plan would be the traditional property tax funded approach. This would involve both the maximum $1.50/$1,000 fire levy as well as a share of regional EMS levy funds, City contributions, grants and fees charged by the new District, and excess levies later approved by voters after the District is created. The existing collective bargaining agreement would be transferred to the new district; it could be renegotiated at the request of either party. Creation of the District requires a simple majority of voters **(50% + 1)** to approve, no validation requirement. If the Council started with a plan that included the Council as the governing body for the Fire District, it could later convert to a board of voter-selected commissioners.
Current service metrics for service provider (response time) If the District were able—through city grants or voter-approved excess levies—to generate sufficient dollars to maintain the equivalent of current City funding for the department plus start up and additional administrative costs, current service levels could be maintained. If not, service levels could be expected to deteriorate.
Enhanced Services Options: staffing/cost Enhanced services could only be funded through a voter approved excess levy or City contributions. As a reminder, the total cost of all three enhanced services, with 3 fire investigators, has a net cost of $1.1M in 2022 – a property tax levy rate of about $0.13.
Operational Model options: Considering a model with fewer than 4 stations in Tukwila? Cost and service implications, implementation issues The District would need to negotiate any reduction in the number of stations/firefighters with the union.
Summary of estimated costs: cost components, estimated annual cost to City and/or taxpayers See **Attachment A.**

What is modeled is the maximum fire levy ($1.50/$1,000 AV) **plus an excess levy** (assumed to be generating revenues in Year 1) in an amount necessary to maintain current service levels in 2022. The average of the low- and high- start-up and administrative costs are included. The resulting cost is an estimated **$15,968,164 or the equivalent of $1.99 in property tax in 2022**. This excludes City retained costs (debt service on the existing station bonds and LEOFF payments), incorporates Department-generated revenues and grants, but *excludes* the cost of borrowing fund balance from the City or the bump in the excess levy rate needed to support the operation over 5-6 years). The **excess levy rate** is estimated at $0.49, before calculating the excess levy reserve fund rate (to address inflation and declining purchasing power of the levy).
Staffing implications All Fire Dept. staff would transfer to the District and retain their seniority and accrued benefits. Additional administrative staffing would be needed (unless city provided these services by contract).
Facilities & Equipment –disposition, future costs, debt, any new/different facilities to be deployers? Facilities and apparatus could be transferred or leased to the new District – but stations with debt may need to be retained by the City. The City would remain responsible for debt repayment. Equipment would be transferred.
Oversight/Control – how will Tukwila Council/Mayor be involved in service and cost decisions affecting Tukwila going forward? The answer to this depends on the governance structure. If the City Council remains the oversight Board, the City retains a high level of oversight and control, provided that the Council will need to act as a fiduciary for both the City and the District and it is possible that interests may diverge. This is manageable—the City Council currently sits as the board of the City's independent parks district. If a new board of commissioners governs the District, then the City would have little or no control over the operations, costs and service levels. The District Commissioners would be accountable to the voters.
Summary of implications of this option **Cost:** Costs of this option are higher than Option 1 or 2 because of the additional start-up and administrative costs (assuming the goal is to maintain service levels). Funding is less stable than the current situation (Option 1) because voters would need to approve a significant excess levy on a periodic basis, as well as lid lifts to restore the $1.50 fire levy. Unless the City chose to subsidize the district to maintain its service levels, this option removes the cost of the fire department from the City budget. **Service Levels:** Without additional voter approved excess property tax levies or a cash transfer from the City, service levels could not be maintained in this Option. Precise impacts are unknown. **Oversight/Management Control:** The City Council or a new independently elected board of commissioners would control the fire district. If there is a new board of commissioners, there is the possibility of conflicting goals and priorities between the City and District. **Other:**

Risks/Major unknowns: The major risks are in the ability of the funding to maintain service levels. It is unknown whether voters would approve excess levies to maintain current service levels, or whether the City would fund the initial year gap between $1.50 and actual costs. If funds were not provided, the impact on service levels has not been precisely mapped but would likely entail reduction in staffing and stations.

Another general risk is that the heavy dependence on property tax—collections of which can only grow at a rate of 1% per year plus the tax on new construction – means that the Fire District will need to ask voters for levy lid lifts every 4-6 years to restore purchasing power.

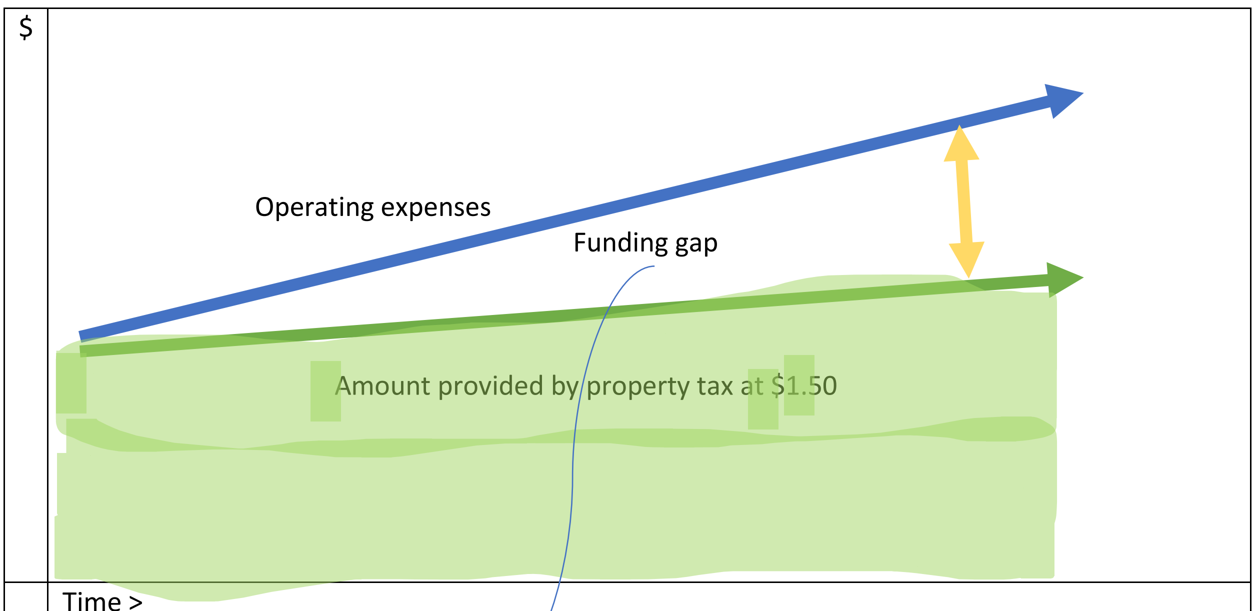
There would be some risk to the City in terms of its financial flexibility if its property tax levy capacity is reduced by $1.50; as noted.

Attachment A: Cost summary (attached)

Attachment B: (Below) **simple funding diagram**

In **Option 3**, the **$1.50 maximum regular property tax rate** for a fire district won't cover beginning (or ongoing) expenses of the Department given current service levels/operations. The funding gap would need to be made up by revenues from the *City contributions*, or a *voter approved excess levy.*

Unless the City fills the funding gap, the District will need to ask the voters for a significant excess property tax levy to cover base expenses.



The funding Gap can be filled by either:

1. City contributions
2. Excess levies (60% voter approval)

…or some mix of the two. Additional fee revenue could help, but not enough to defray much of the total. The other alternative is to reduce costs and service levels to close the gap. Both the excess levy and the regular fire levy would need to be resubmitted to voters periodically (about every 4-6 years) to restore purchasing power/levy rate to the original rate.

Option 4: Create a Tukwila Fire District, funded by both property taxes and a Fire Benefit Charge

Service Provider: A new taxing district, authorized by the voters, with boundaries co-extensive with the City: Tukwila Fire District.

Brief description of option: This option is the **same as Option 3**, ***except that***:

The financing plan would include **a Fire Benefit Charge**. A Fire Benefit Charge (FBC) is a fee, not a tax, and is allocated to individual property owners based on the size, risk and hazard associated with structures on real property (rather than based on the value of those properties as is the case for property tax).

In exchange for the ability to levy a FBC, the maximum fire levy allowed drops from $1.50 to $1.00. The FBC is sized to collect the balance of needed revenues over and above the $1.00 fire levy. The FBC cannot exceed 60% of the District's operating budget.

At current service levels, and using a mid-range estimate for additional administrative costs, the FBC would need to collect the equivalent of **$7,109,058**. This is about 45% of the estimated 2022 operating budget (excluding one-time start-up costs) and is equivalent to an $0.89 levy in 2022.

The City would need to develop a proposed FBC formula. Note that the fire district governing board can change that formula from year to year without seeking voter approval.

A difference between Option 3 and Option 4: 60% voter approval is required to create the new district—rather than 50%, since it includes an FBC.

As in Option 3, the City's levy capacity is reduced, but only by $1.00 (the maximum fire levy amount).

Overview of service provider (services, governance, finances (tax rates, % of budget received from FBC, other fees, taxes))
Same as Option 3: a Tukwila Fire District would be a separate unit of local government, with its own governing board, taxes, annual budget, responsibilities and authorities. It could charge fees for service and apply for grants.

The FBC would have to be sized to support somewhere between 42-47% of the initial budget, excluding start-up costs.

Timeframe: Earliest date on which this option could be implemented
The timeframe would be similar to Option 3, however, there would need to be work done to develop the FBC formula.

Major implementation steps (negotiation, council action, service provider actions, voter approval, etc.)
The same as for Option 3, with the addition of work to develop the FBC formula, and the fact that 60% voter approval is needed to create a fire district that can impose a FBC.

Current service metrics for service provider (response time)…
With equivalent funding as the current operation (and an additional increment for administrative costs and start up costs), one could expect the new Fire District could maintain current Tukwila Fire Dept. service levels. If sufficient funding were not secured, service levels would be impacted.

Enhanced Services Options: staffing/cost
Enhanced services could be funded through either increasing the FBC collections (up to the 60% operating budget maximum) or voter-approved excess levies.

Operational Model options: Considering a model with fewer than 4 stations in Tukwila? Cost and service implications, implementation issues
Same as for Option 3

Summary of estimated costs components / estimated annual cost to City and/or taxpayers
See **Attachment A.**

Staffing implications
All existing employees in the Fire Department would transfer over. Depending on the approach to providing administrative services—contract with City or hire new staff—there would be additional personnel involved.

Facilities & Equipment –disposition, future costs, debt, any new/different facilities to be deployed?
Same as Option 3

Oversight/Control – how will Tukwila Council/Mayor be involved in service and cost decisions affecting Tukwila going forward?
Same as Option 3

Summary of implications of this option

Cost: Having an FBC provides additional revenue stability/sustainability/scalability as opposed to being solely dependent on property taxes—because the FBC can be raised without any year-to-year limit, other than total collections cannot exceed 60% of operating costs.

Service Levels: It will be easier to maintain service levels in any option with an FBC as compared to an Option primarily reliant on property tax—because of the revenue flexibility that the FBC provides.

Oversight/Management Control: Same as Option 3.

Other: Commercial and multi-family property owners may be less supportive of a model with a FBC, because costs are shifted to them (reflecting the additional resources the District must have in place to serve them as compared to responding just to single family residences).

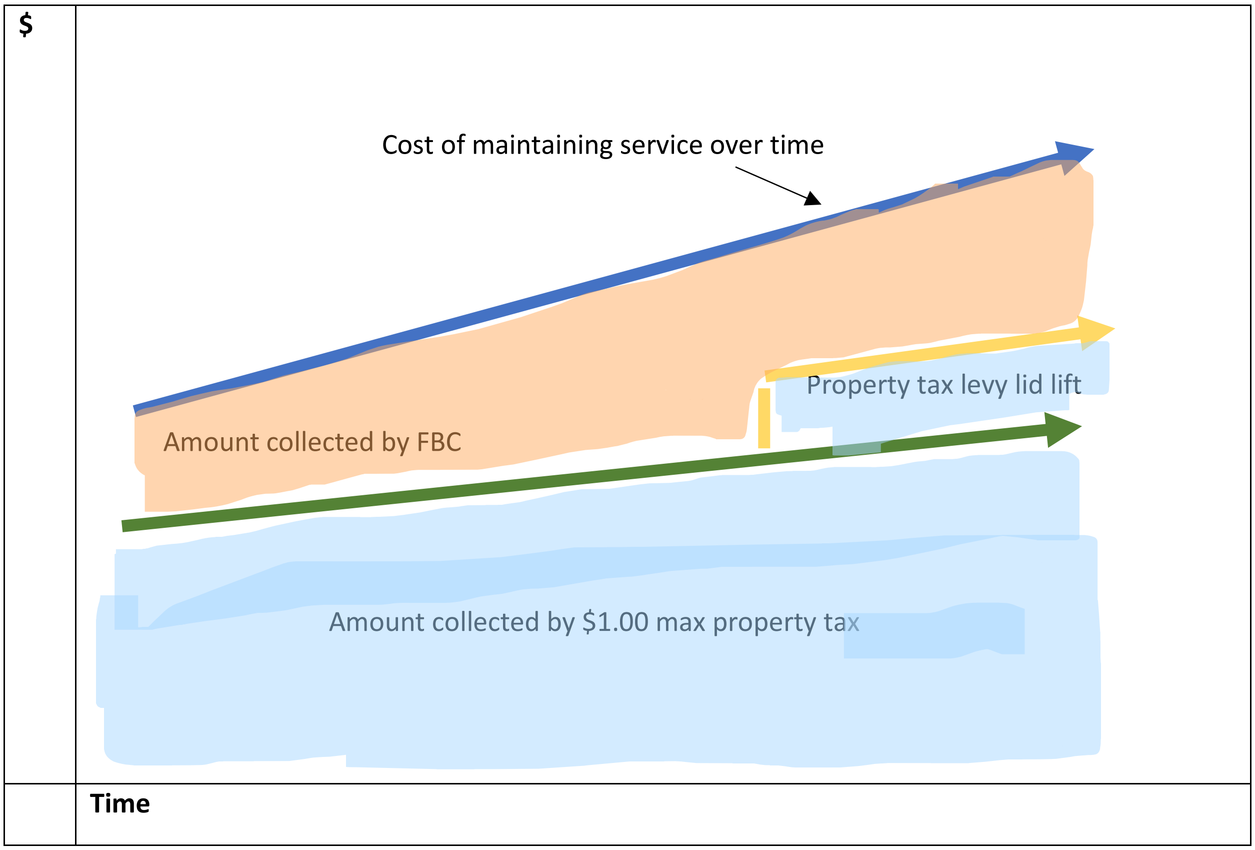
The FBC must be renewed periodically by voters. These elections have been highly successful in other districts with FBCs in recent years.

Risks/Major unknowns: At this time, we cannot propose a detailed FBC for a new fire district, so we do not know the magnitude of the cost shift will be towards multi-family and commercial structures, away from single family homes. The City could target any policy outcome it desired in terms of a FBC formula – but the governing board can change that starting formula in any following year.

Attachment A: Cost Summary (attached)

(…and see diagram below)

Simple Diagram of how Option 4 works:



Note that even with an FBC, an agency will want to periodically seek a property tax lid lift to restore purchasing power of its fire levy, and keep FBC collections within a preferred range (and under the 60% operating budget max.)

All Figures for Year 2022 and all are ESTIMATES

Comparing Options 1 - 4

Comparable Expenses	Option 1 Status Quo	Option 2 Status Quo Plus Enhancements	Option 3 Tukwila Fire District w/Property Taxes	Option 4 Tukwila Fire District w/Property Taxes & FBC
FTE Count[1]	65	68	69	69
Wages & Benefits [2]	$12,474,164	$12,999,008	$13,474,164	$13,474,164
Admin Overhead	$67,103	$67,103	$817,103	$817,103
Facilities/Capital Reserves/Overhead[3]	$113,077	$113,077	$113,077	$113,077
Other O&M	$1,563,820	$1,936,061	$1,563,820	$1,563,820
Other Reserves	$0	$0	$0	$0
SUBTOTAL	$14,218,164	$15,115,249	$15,968,164	$15,968,164
Retained Costs (Items City will Continue to be Responsible for)				
Debt Service on FS 51,52	$1,870,128	$1,870,128	$1,870,128	$1,870,128
Debt Service on FS 53,54[4]	$0	$0	$0	$0
LEOFF 1	$261,000	$261,000	$261,000	$261,000
TOTAL City-Retained Costs	$2,131,128	$2,131,128	$2,131,128	$2,131,128
Estimated Cost of Fire Dept	**$16,088,292**	**$16,985,377**	**$17,838,292**	**$17,838,292**
Est Cost w/Enhanced Services	*N/A*	*$16,985,377*	*$18,735,377*	*$18,735,377*
Comparable Revenues				
General Fund Revenue/Property Tax Equivalent	$13,921,620	$13,884,705	$12,047,859	$8,031,906
Excess Levy for Debt	$1,870,128	$1,870,128	$1,870,128	$1,870,128
Benefit Charge	$0	$0	$0	$7,109,058
Supplemental Revenue Options to Support Services (Dedicated Voter-Approved Property Tax)	$0	$0	$3,093,105	$0
Fees for Service/Ambulance Fee Policy	$24,000	$24,000	$24,000	$24,000
Other Offsetting Revenue	$803,200	$1,206,544	$803,200	$803,200
Estimated Revenues	$16,088,292	$16,985,377	$17,838,292	$17,838,292

All Figures for Year 2022 and all are ESTIMATES

Detail on Incremental Costs & Revenue

Incremental Recurring Expenses	Option 1 Status Quo	Option 2 Status Quo Plus Enhancements	Option 3 Create a Tukwila Fire District	Option 4 Tukwila Fire District w/Property Taxes & FBC
FTE Count[6]	0	3	4	4
Wages & Benefits	$0	$524,844	$1,000,000	$1,000,000
Admin Overhead	$0	$0	$750,000	$750,000
Facilities/Capital Reserves/Overhead	$0	$0	$0	$0
Other O&M	$0	$372,241	$0	$0
Other Reserves	$0	$0	$0	$0
Estimated Inc. Costs	$0	$897,085	$1,750,000	$1,750,000
Incremental Offsetting Revenue				
CARES	$0	$100,800	$0	$0
Fire Marshal (enhanced)	$0	$30,000	$0	$0
Est. Incr. Revenue	$0	$130,800	$0	$0
One Time Startup Costs[5]	$0	$0	$1,000,000	$1,000,000

Notes:
(1) Option 2 assumes 2 FTE added for the Fire Marshal Office. The .33 FTE for the CARES unit is assumed to be provided by a partner agency.
(2) Option 2 data includes wages and benefits for enhanced services FTEs, Employee costs are updated from the financial plan to assume Fire Marshal office staff are uniformed position, rather than civilian
(3) Reserves/Overhead: Reserves shown are only those funded in the current city budget, not all the reserves in the financial plan.
(4) Retained Costs: No cost is included for remodeling of Stations 53 and 54. There is a plan to seek voter approval for this project in 2026.
(5) Estimated Total Costs and Total Revenues do not include one time start-up costs of approximately $1mm.
(6) Figures provided represent the mid-point of the estimated ranges of city-provided admin services vs Fire District FTEs (4 FTEs + $750k for Admin)

Fire Benefit Charge—Deeper Dive

Prepared for Future of Fire/EMS Community Advisory Committee / Meeting 5 / February 15, 2022

What's a Fire Benefit Charge?

A Fire Benefit Charge (FBC) is an alternative supplemental funding mechanism governed by Chapter 52.18 RCW. Unlike the property tax, which is based on the value of both building structures and land, the FBC is imposed only on the improvements to real property and must be reasonably apportioned using a formula that considers the amount of services required to serve these properties. Only parcels with improvements are subject to the Benefit charge. The FBC *does not take into consideration the value* of the improvements.

If a FBC is imposed, the General (Fire) Property Tax levy cannot exceed $1.00 per $1,000 (rather than $1.50 if there is no FBC). The Benefit Charge does not affect the EMS levy rate an agency may impose.[1]

Before it can be imposed, a FBC must be voter approved (60% favorable vote, without validation). Collections can be increased by the Board of Commissioners from year to year without voter approval but cannot exceed 60% of the agency operating budget. There is no 1% cap on the amount that can be collected year to year as is true with property tax.

The initial FBC is authorized for six years and needs to be reapproved by voters every six years. The reauthorization requires a simple majority vote. Recent changes in state law allow voters to approve 10 year or permanent reauthorizations of the FBC- but these require 60% approval.

Annually, the board of fire commissioners sets the amount to be collected from the FBC and confirms the formula. The total revenue collected from the FBC cannot exceed 60% of the operating budget. Typically, the basic formula approach stays the same, but the total collected increases to address the shortfalls in the budget not addressed by property tax.

So, what's the formula?

The basic formula is somewhat inscrutable to the average person, but it is based on a nationally accepted approach to calculate the amount of fire flow needed to put out a structure.

Specifically, FBC formulas typically include the following components:

A. The Square Footage of improvements
B. Fire Flow (SQRT(Sq. Ft.) x 18) – incorporating square footage
C. Structure Category Weight Factor
D. Cost per gallon
E. Discounts (sprinklers, seniors and low income)

An oversimplified formula is presented below:

Square Footage x Fire Flow x Cost per Gallon x
Structure Category Weight Factor x Discount or Additional Risk Charge = FBC

[1] If there is a County EMS levy—as in King County—local fire agencies cannot impose their own EMS levy.

Walk me through this…how is my cost determined?

The major driver of the FBC for any property owner is the size of the improvements on their property, and the category of structure type (residential, commercial, etc.).

Square Footage

This information is from the County assessor and includes not only primary residences/structures (including garage), but outbuildings on property as well.

Fire Flow

Fire Flow is the gallons of water required to put out a fire. It is calculated based on the formula **SQRT(Sq. Ft.) x 18**. (square root of the square footage of improvements multiplied by 18). This is a nationally recognized formula for calculating fire flow. (Ref: *NFPA Handbook, 18th Ed., Ch 6, Water Flow Requirements for Fire Protection*)

Structure Categories & Weights

Once the structure categories are identified, they are refined by the application of a weighting factor. Each category is assigned a weighted value that results in a targeted and defined portion of the benefit charge. In other words, the structure category weights define how much of the total benefit charge will be paid by each structure category.

Sample categories:

Single Family Residential
Mobile Home
Multi Family
Small commercial
Medium commercial
Large commercial

Cost Per Gallon

The cost per gallon is determined by dividing the total fire flow by the Dollar amount of the Benefit Charge.

Discount or Additional Risk Charge

Statutes allow for discounts for structures that have sprinkler systems. By statute, senior and low income discounts are also applied.

Some agencies have additional risk charges for particularly hazardous structures – for example, commercial gas storage.

Exemptions

State law exempts various types of property entirely from the FBC, such as, schools, church's, public and nonprofit low income housing, and government structures.

An oversimplified picture of how the FBC comes together

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 sets the weights)	4. Identify any discounts applicable to the property – Sprinklers? Identify any risk surcharges	5. Do the math!
Sample list: Mobile Home Single Family Residential Multi family Small commercial Medium commercial Large commercial	County assessor records provide this information	Weights increase with the size and complexity of structure use. It's not always a straight line—some small commercial establishments may have an FBC very much like a single family residence. The weighting reflects the additional resources that are needed to put out a fire at these different types of structures	County assessor records provide this information	Determine the bill for each structure.

- Bills for an FBC are sent once a year by the County Assessor as part of the property tax statement (although the FBC is a fee, not a tax).
- An agency with an FBC must have an annual appeals process, similar to a property tax appeal process, but run locally by the agency imposing the fee, rather than the county assessor.

What’s the end result of using an FBC?

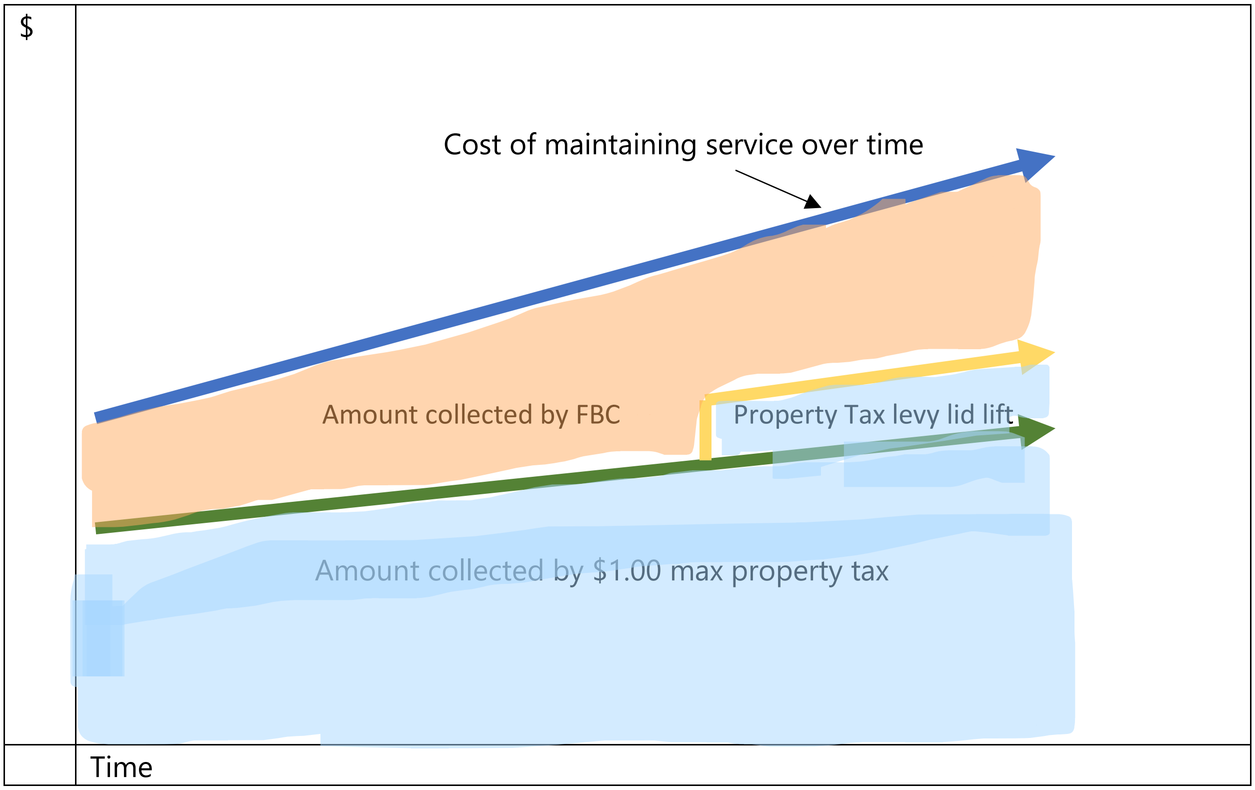
1. Agencies that would otherwise be wholly dependent on property taxes and periodic lid lifts can stabilize their revenues to meet costs as economic conditions and demand changes year to year, without going back to voters. Stability of revenues stabilizes service levels.
2. Total revenue collections can exceed the amount that would otherwise be collected by maximum property tax rates for a fire agency that doesn’t have an FBC.
3. With an FBC, cities who are within a fire district or RFA can retain more property tax capacity for their own use (since the fire agency’s property tax capacity is reduced in exchange for being able to impose an FBC.
4. Overall, the agency collects more revenue from larger, more complex structures than it does from single family homes. In other words, the FBC shifts costs to multi-family and larger commercial properties, and away from small single family residential homes.

Most FBC formulas and structure classifications used in Puget Sound are fairly similar.

What communities/fire service providers in our area have a fire benefit charge?

- Puget Sound Regional Fire Authority (Covington, Kent, Maple Valley & SeaTac)
- Renton Regional Fire Authority
- Valley Regional Fire Authority (Algona, Auburn, Pacific)
- King County Fire District 36 (Woodinville)
- North Highline Fire District (south of Seattle city limits)
- Northshore Fire Department (Kenmore and Lake Forest Park)
- Snoqualmie Pass Fire & Rescue
- Shoreline Fire Department
- Central Pierce Fire & Rescue
- King County Fire District 10 (Carnation, May Valley, Tiger Mountain, Preston)
- South County Fire (Lynnwood)

Fire District/RFA finances with an RFA – simple Illustration:



Note that even with an FBC, an agency will want to periodically seek a property tax lid lift to restore purchasing power of its fire levy, and keep FBC collections within a preferred range (and under the 60% operating budget max.)