

# MEDIC ONE/EMERGENCY MEDICAL SERVICES STRATEGIC PLAN & LEVY REAUTHORIZATION

Finance Subcommittee meeting 5/16/2024

*After being updated on work undertaken by the other subcommittees, Finance Subcommittee members were briefed by the King County Economist on the March 2024 economic forecast. The group reviewed the updated 2020-2025 Financial Plan, financial drivers and policies that will impact the next levy span budget, and risks associated with different levy lengths.*

## Attendees

<i>Chair: Lynne Robinson, Mayor of Bellevue</i>	Scott Faires	Joan Montegary
Will Aho	Rachel Garlini	Amy Moorhead
Cynthia Bradshaw	Jay Hagen	Kelly O'Brien
Matt Burrow	Katie Halse	Andres Orams
Brant Butte	Jason Hammond	Mark Peterson
Helen Chatalas	Raman Kaur	Michele Plorde
Kevin Crossen	Vic Kave	Drew Pounds
Chris Drucker	Eric Lee	Adrian Sheppard
Maggie Eid	Lizbeth Martin-Mahar	Dave Tait
Becky Ellis	Graham McGinnis	Jim Whitney
	Wayne Metz	Todd Wollum

## ISSUES DISCUSSED

### Reporting of Subcommittee Findings (*see attachments*)

#### Current Economic Circumstances

Lizbeth Martin-Mahar, the King County Economist, presented information from the March 2024 economic forecast that will help guide planning for the 2026-2031 levy period.

- The US economy performed well in 2023, with real GDP growing by 2.5%. The first quarter of 2024 has seen slower growth at 1.6%.
- While US national inflation trended downward in 2023 to a low point of 3.1%, the national inflation rate increased slightly to 3.5% by April of 2024. This is higher than the Federal Reserve's 2% inflation target.
- Seattle's inflation rate declined significantly in 2023 and is hovering around 4%.
- The causes for the higher inflation for both the US and the King County region are the high housing costs and medical care costs and energy costs.
- The current forecast for Seattle inflation in 2024 is 4%; it is forecast to be 3% next year.
- King County total assessed value (AV) for 2024 was 5% lower than 2023 levels. The March outlook for 2025 countywide AV is a little less than 2% annual growth.
- King County's March property tax forecast increased by \$8 million from the August 2023 forecast.

## Financial Planning Framework and Considerations

- For the 2020-2025 levy span, increased expenditures due to high inflation, while increased revenues due to higher property taxes and interest income.
- Main drivers impacting EMS levy financials include property values, new construction, inflation, programmatic decisions, and reserve levels.
- Risks include AV reductions resulting in lower property taxes than planned, distribution of property taxes between King County EMS and Seattle EMS funds, inflation being higher than planned, and unknown expenses.

King County proposed conducting a risk analysis to evaluate impacts of potential changes in forecast revenues and expenditures. Recommended scenarios include:

- Inflation higher than planned;
  - Starting and future years AV less than planned resulted in lowered taxes;
  - New construction below forecast resulting in lowered taxes; and
  - Change in the split of taxes between the City of Seattle and the King County EMS fund.
- ✓ **Action Taken:** The Subcommittee endorsed moving forward with conducting a risk analysis to determine appropriate reserve funding to help safeguard the Medic One/EMS system from unforeseen financial risk.

## Financial Review of 2026-2031 Proposed Status Quo Budget

A proposed status quo budget was presented. This establishes a baseline budget if the levy continued in 2026-2031 with the same level of program support from the 2020-2025 levy span. If existing programs were funded in 2026-2031 levy at the same level as the 2020-2025 levy, the overall increase due to inflation would be ~30%. This very preliminary budget estimates that the 2026-2031 levy would increase to \$1.5 billion, from the \$1.1 billion budgeted for the 2020-2025 levy. The KC EMS fund would increase by \$198 million, from \$651 million for the 2020-2025 levy span to \$849 million for the 2026-2031 levy span.

Part of this review included a slide showing the risks associated with different levy lengths. A longer levy span would require more funding, which would require a much higher starting levy rate to ensure sufficient funding throughout the later years of the levy. In addition, a longer levy span is more of a financial risk – the region would be planning expenditures 12 years in advance of those actual costs, and the economic environment could change dramatically over that time. If assumptions are off, the region could risk not having enough funding for essential programs, or for new or expanding programs to meet the system’s emerging needs.

- ✓ **Action Taken:** The Subcommittee found that a 6-year EMS levy would serve the needs of the region the best. This is because it can adjust to change in the economy and the EMS system than a 10-year or permanent levy could.

## Next Meeting

July 25, 2024:                      1:00 – 3:00 pm                      Room 1E-112, Bellevue City Hall  
450 110<sup>th</sup> Avenue, Bellevue

**2024 King County Economic and Revenue Forecast**  
 Presentation to the EMS Levy Finance Subcommittee

Presented on:  
 May 16<sup>th</sup>, 2024

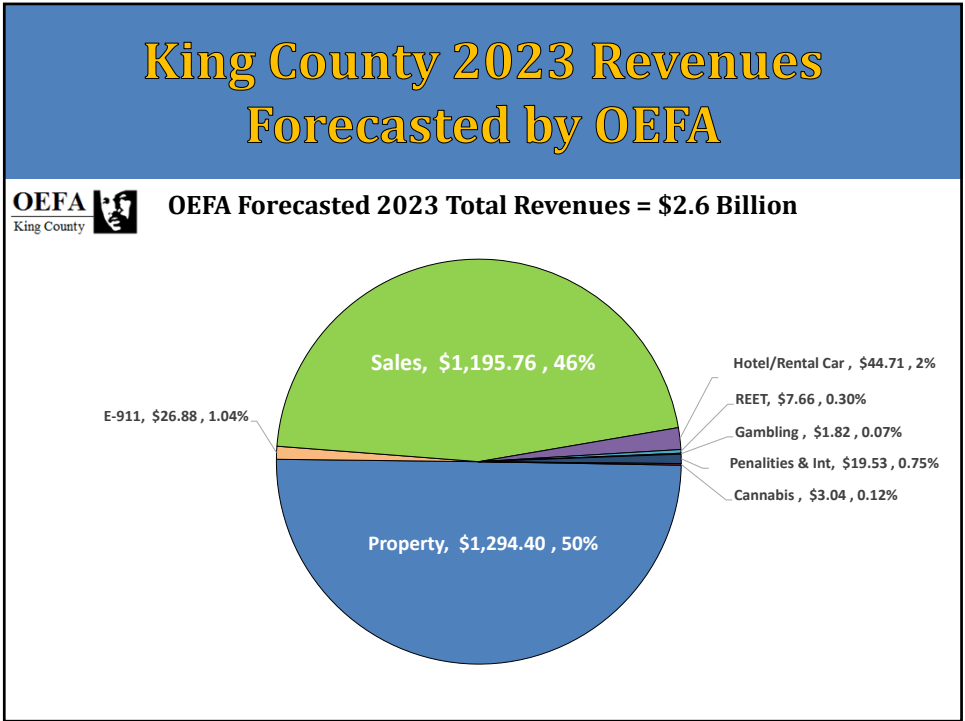
Lizbeth Martin-Mahar  
 Office of Economic and Financial Analysis

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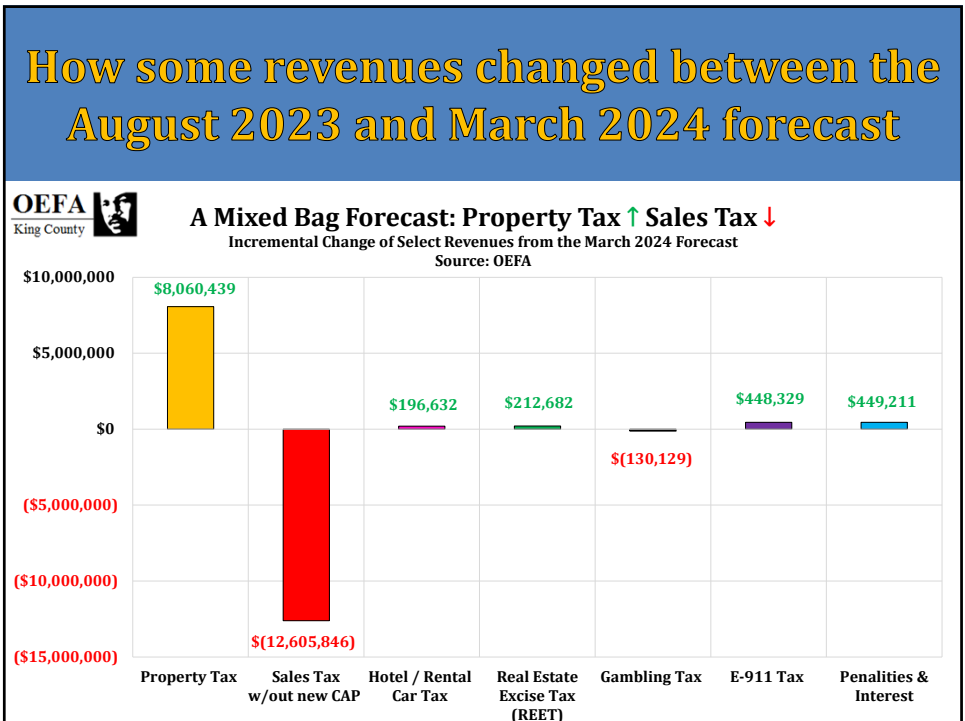
**Overview of Economic Overview Presentation**

1. US and State Economic Outlook - changes since Feb.
2. King County Economic and Revenues Outlook in March & April Forecasts
  1. Inflation
  2. Employment
  3. Home Prices
  4. Assessed Values (AV)
  5. Property Taxes
3. Risk Analysis on Certain Key Assumptions
  1. Seattle Portion of total KC AV
  2. 1% reduction in levies for delinquent property tax accounts
  3. Inflation forecasts
4. Next steps

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## National Highlights

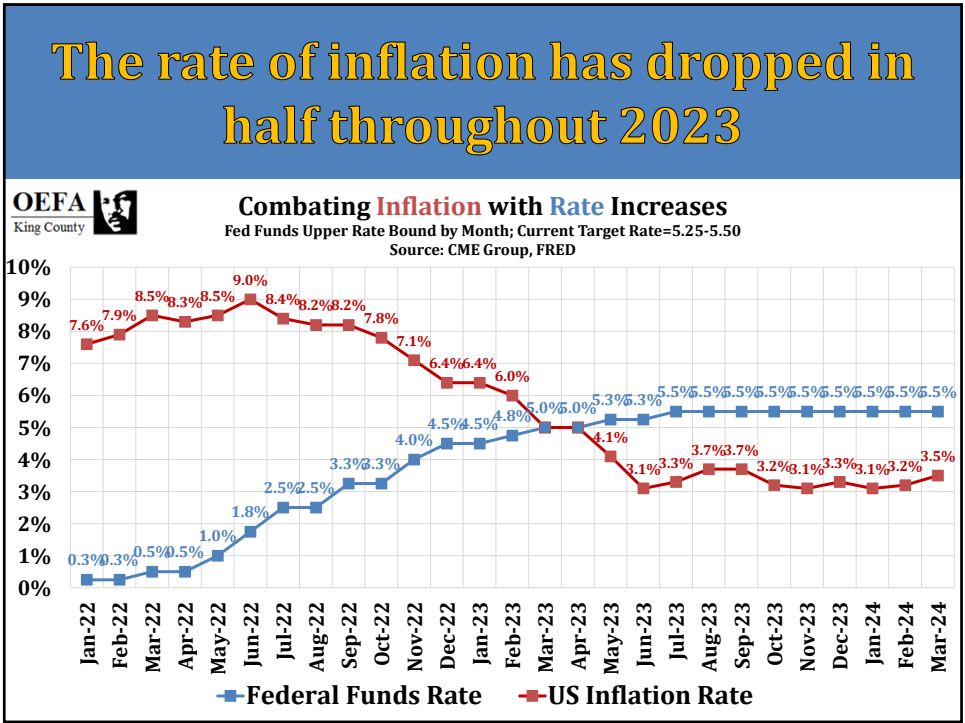
### Growth continues for the U.S. economy

- US real GDP grew 2.5% in 2023 which was up from the 1.9% growth last year
- Inflation has been trending down as the Federal Reserve raises rates
- Inflation has been exceeding some predictions
- The employment market is still growing with high job openings above prior years but it is slowing
- Risks: Ukraine & Middle East wars, high interest rates remain

### On track for a “soft-landing” in Economy

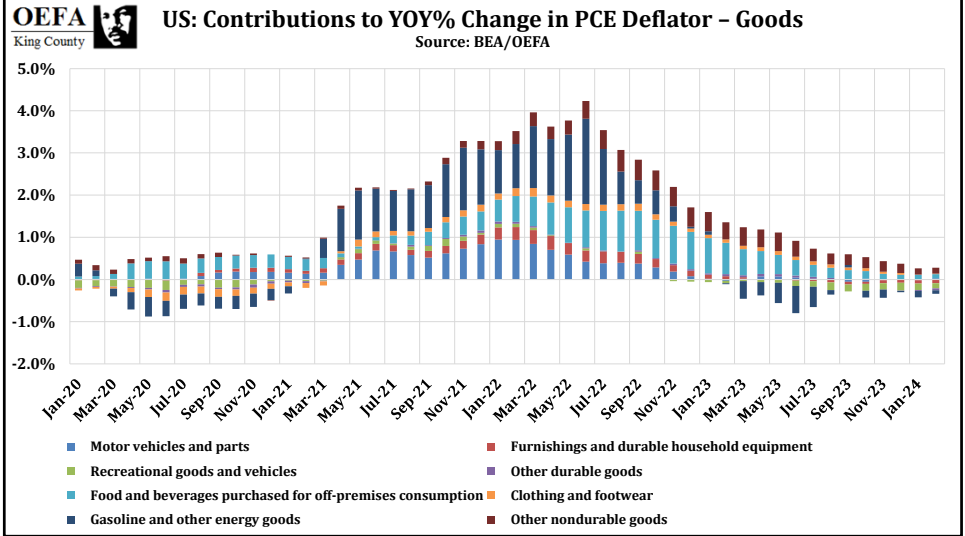
- Inflation is stabilized at 3% but higher than Fed target (core inflation at 2%)
- WA state had an average unemployment rate of 4% in 2023, which is lowest in decades; Seattle MSA had an unemployment rate of 3.2% in 2023
- Interest rate projections call for slower decline in 2024 than prior expectations
- 2024 growth will be slow, unemployment will rise, inflation will slow

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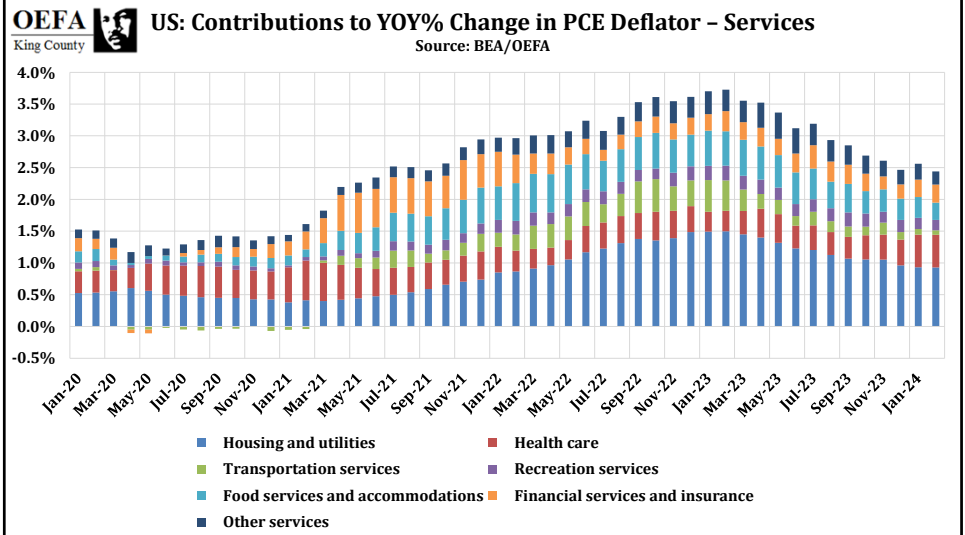
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# What's driving inflation? Goods portion



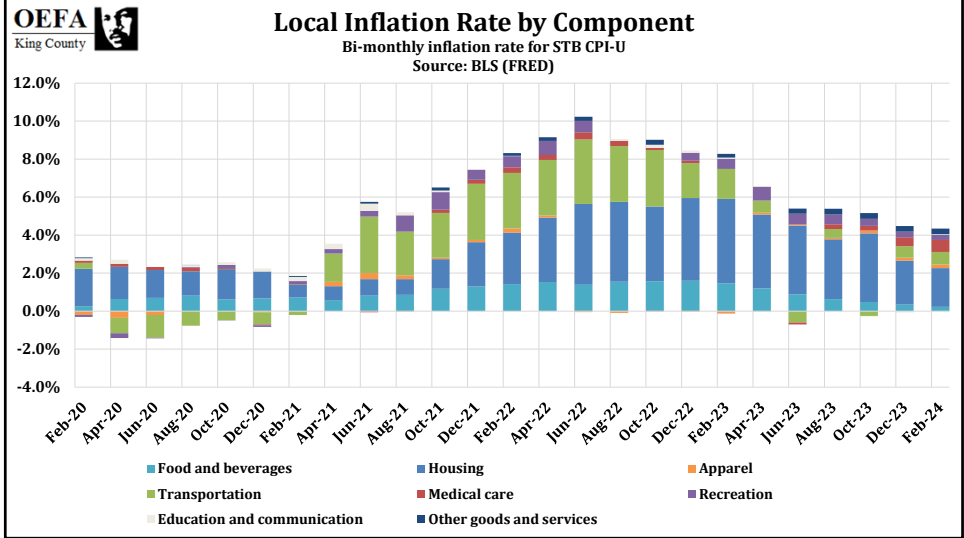
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# What's driving inflation? Services portion



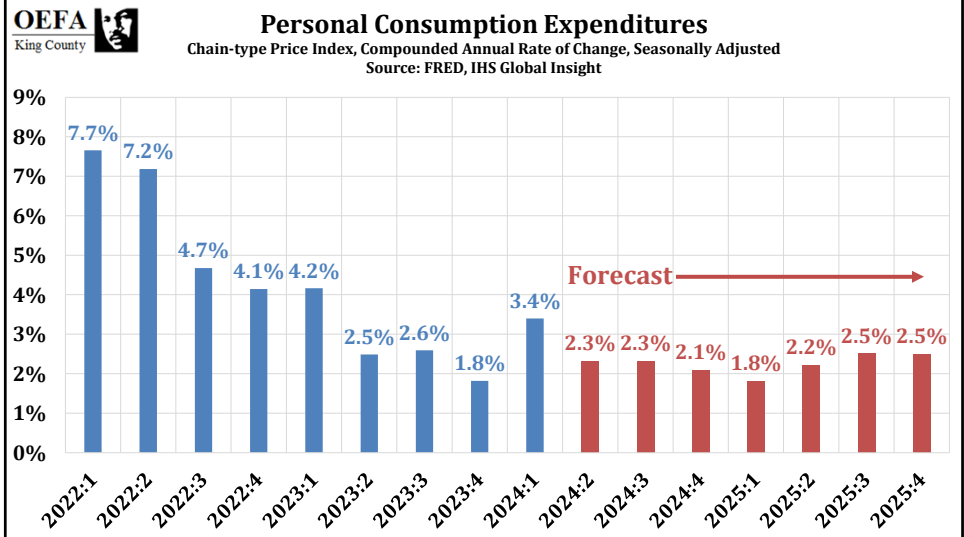
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## Local Inflation Components: Housing the primary contributor to the headline rate



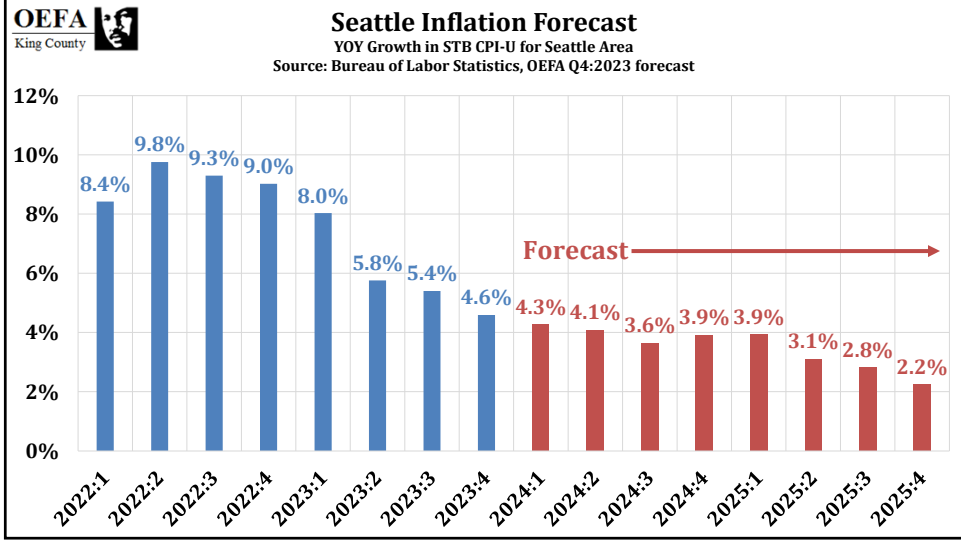
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## National inflation Should Fall to Fed. Target of 2% by Q4 2024.



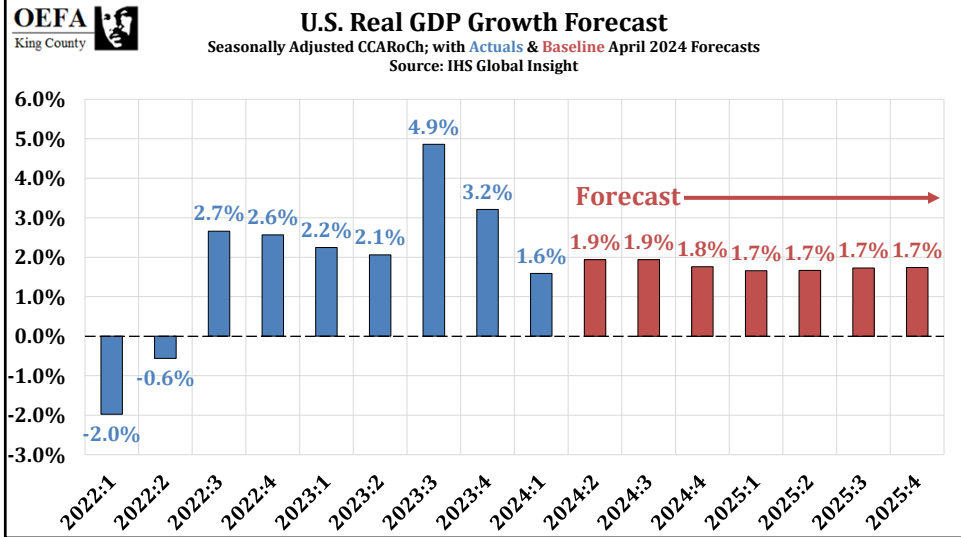
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## Seattle Inflation Should Fall to Fed. Target of 2% by End of 2025.



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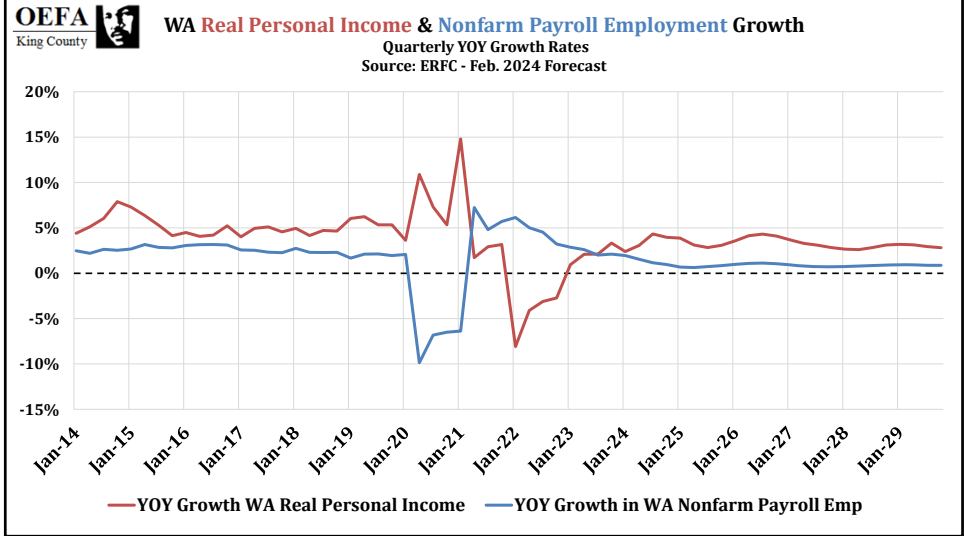
## GDP growth at the end of 2023 has Exceeded Expectations



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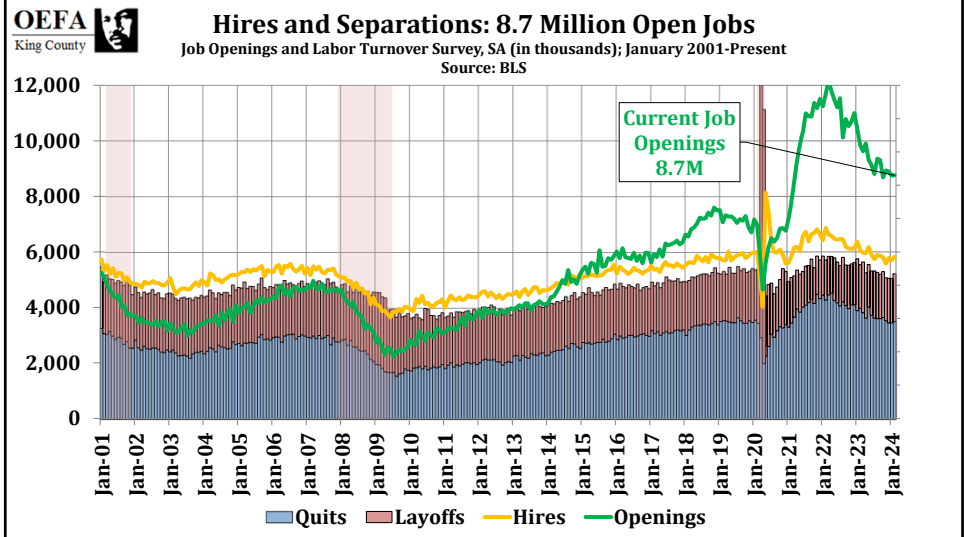


## WA Real Personal Income growth Slightly Higher Than Expected At End of 2023



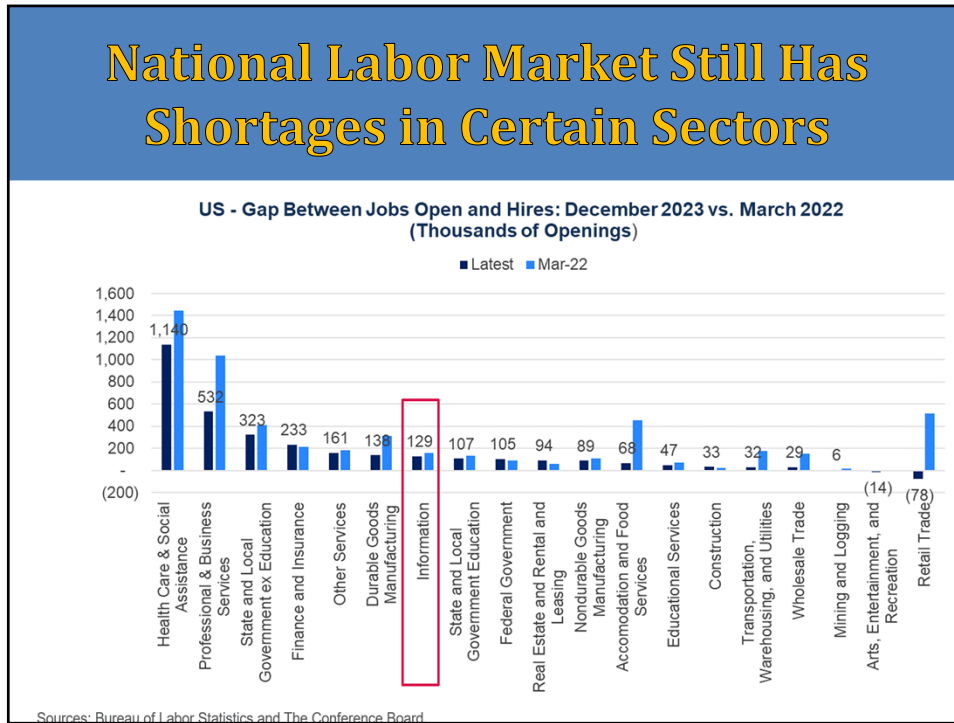
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## 1.5 million job openings closed in 2023



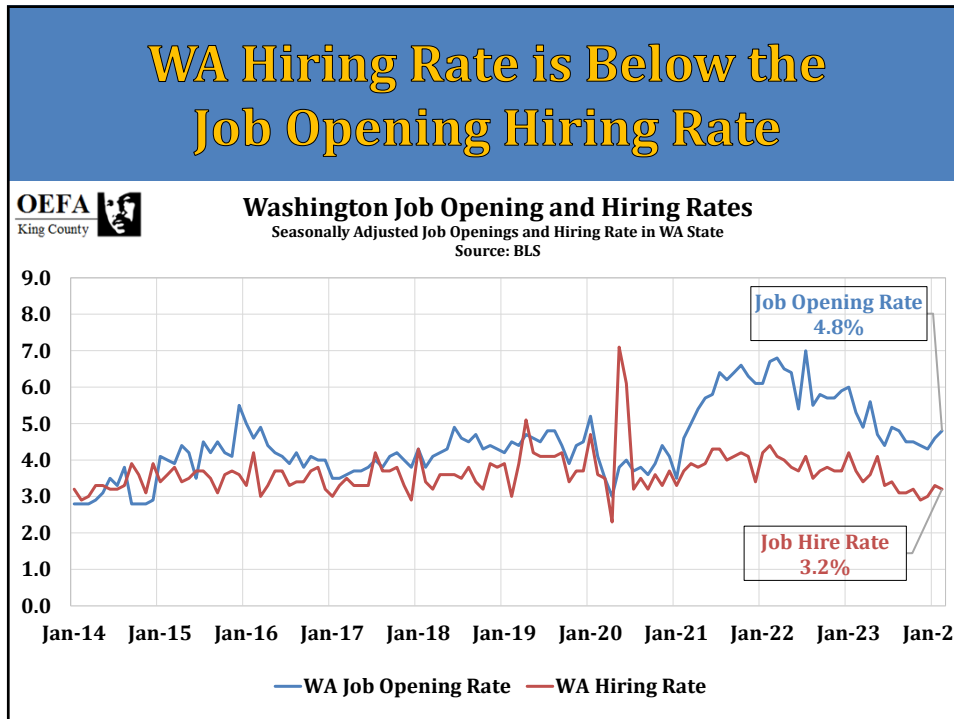
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## National Labor Market Still Has Shortages in Certain Sectors



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## WA Hiring Rate is Below the Job Opening Hiring Rate

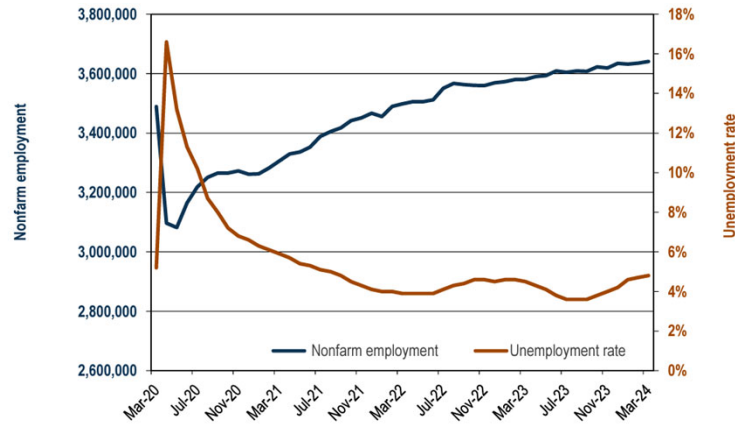


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## WA State Unemployment Rate – Slowly Increasing



Source: Washington State ESD



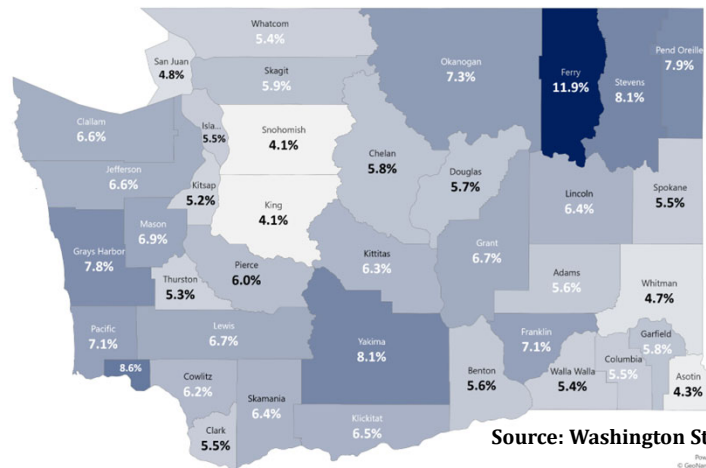
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## Mar. 2024 Unemployment Rate by County



March 2024 Unemployment Rates by County

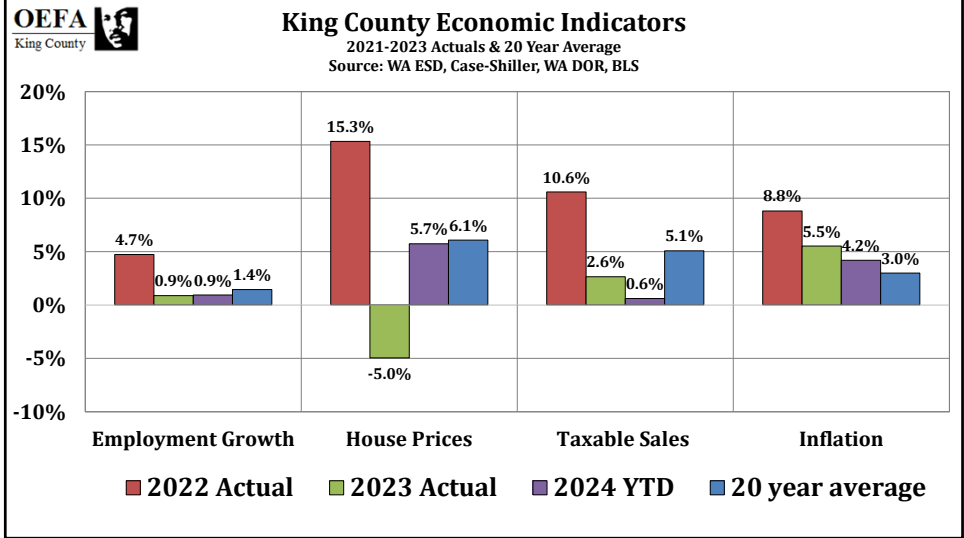
Unemployment Rate 4.1% 11.9%



Source: Washington State ESD

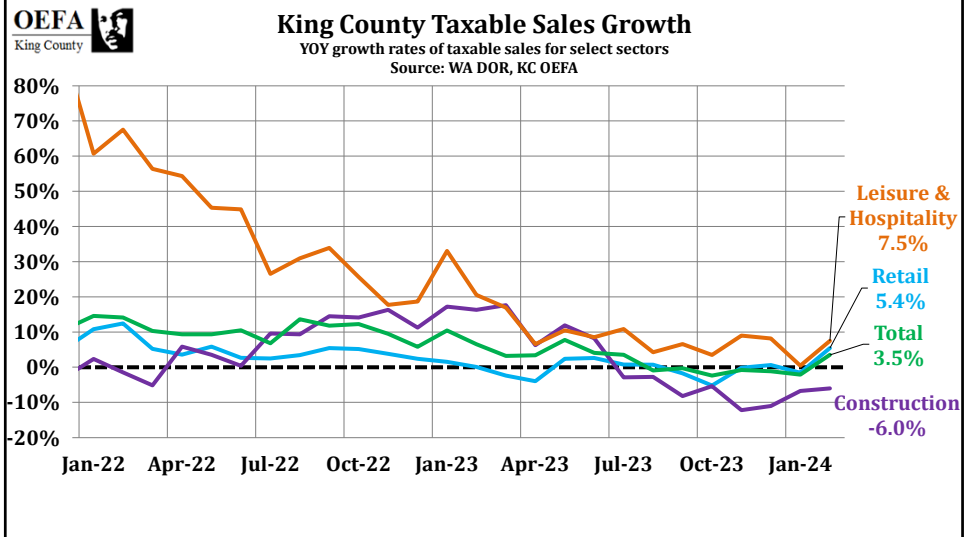
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## Employment and Taxable Sales ebbed in 2023; House Prices Fell



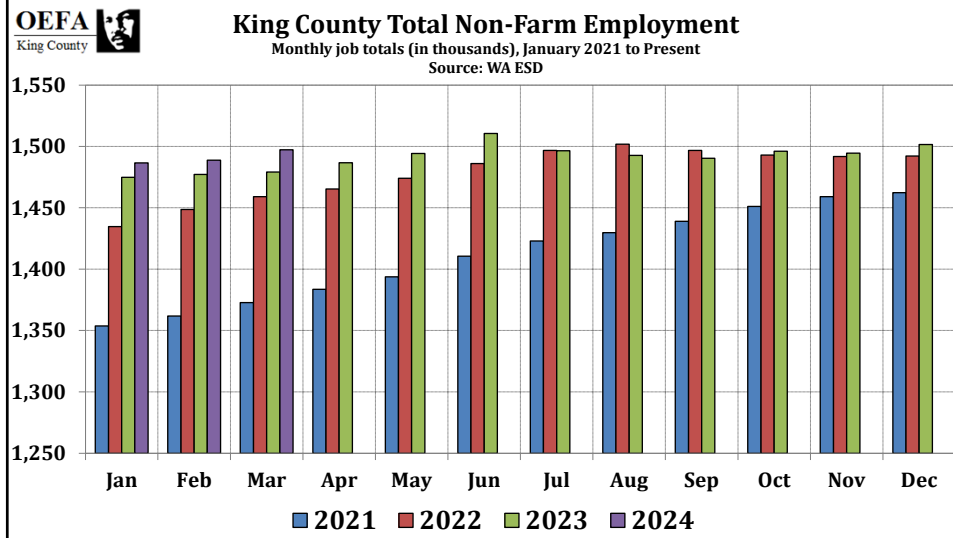
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## Taxable sales limped along in the 2<sup>nd</sup> half of 2023. Construction sales growth has declined significantly.



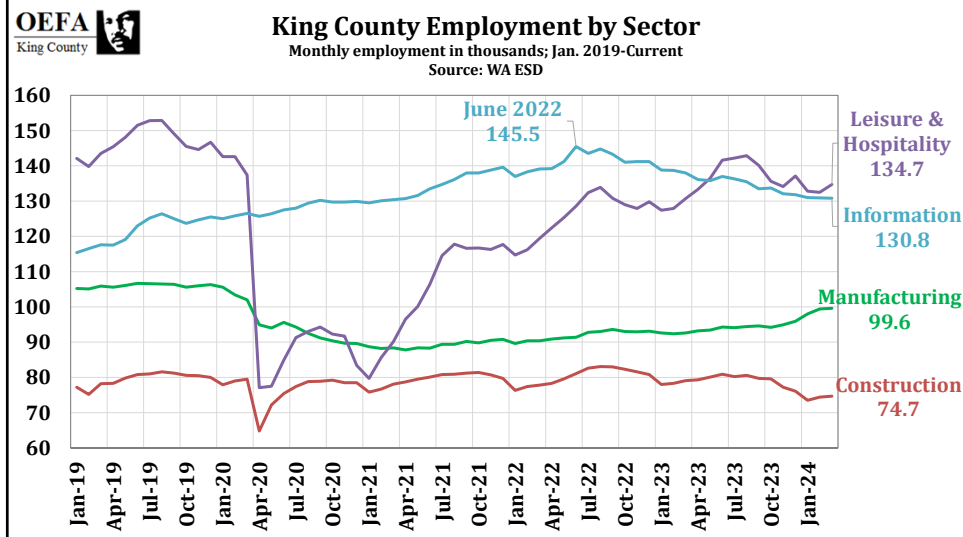
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## Employment has more than recovered from the pandemic overall...



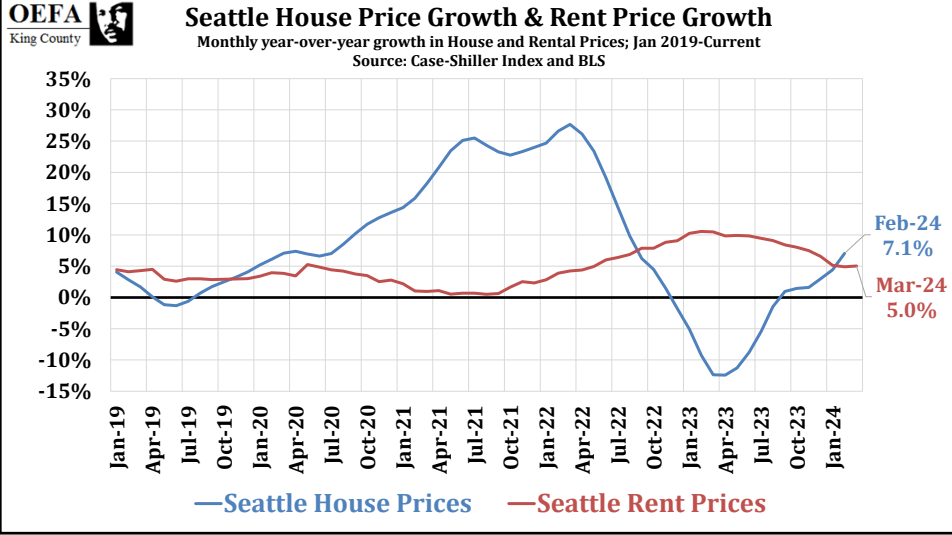
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## Hospitality and manufacturing are not back to pre-Covid levels. Big tech continues to shed jobs.



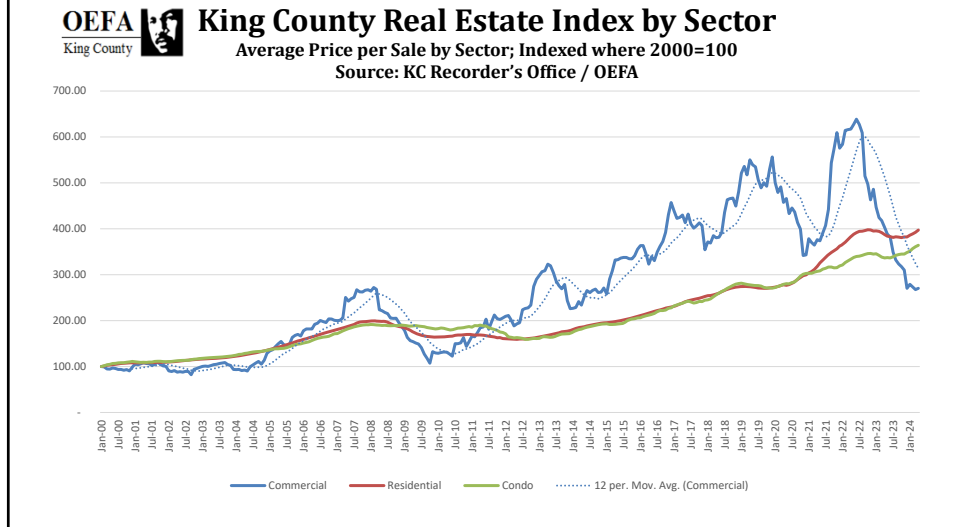
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## House price growth bottomed in Spring 2023 and rent growth is slowing



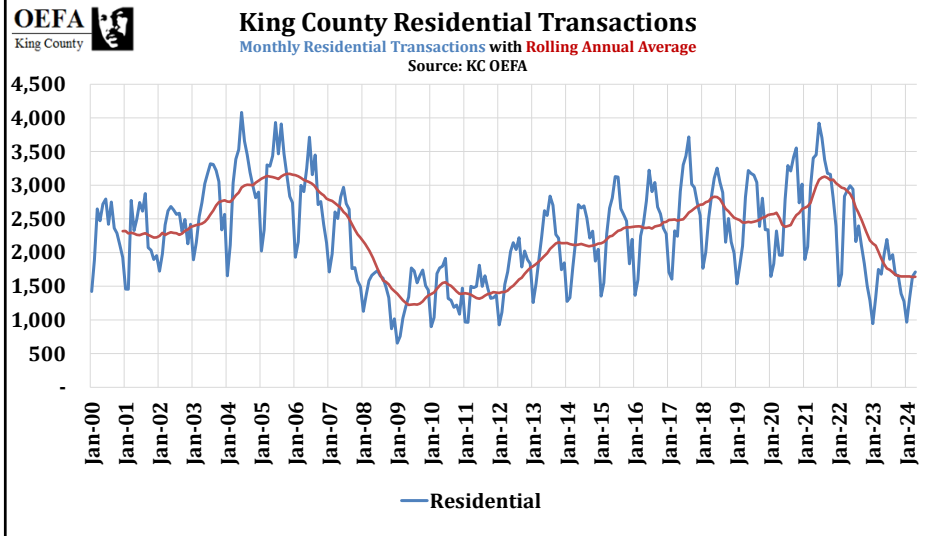
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## The bottom has fallen out of commercial real estate prices



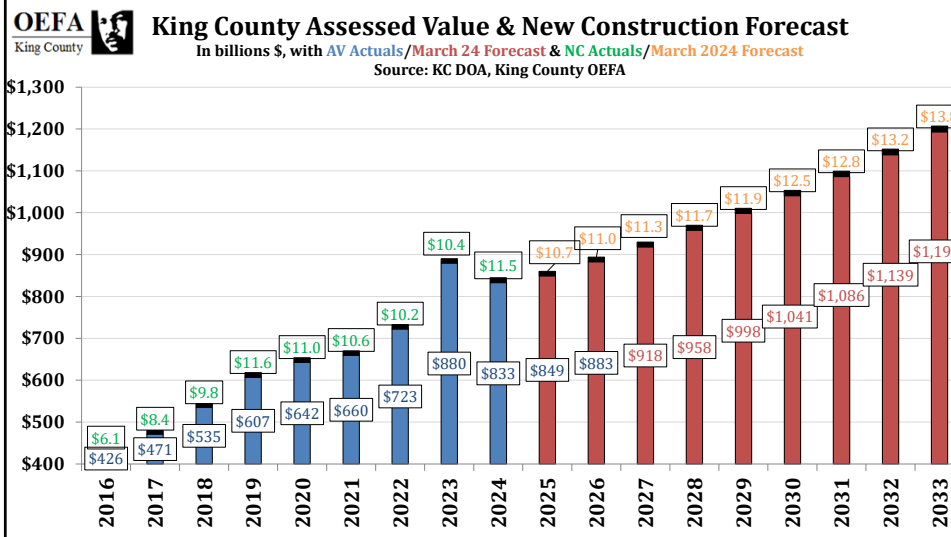
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## KC Residential Trends Are Down - Lower prices and reduced transactions



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## Assessed Value & New Construction Forecast



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## Countywide Assessed Value Forecast

Tax Year	Value	Annual Growth	% Change from August 2023 Forecast	\$ Change from August 2023 Forecast
2022	\$722,527,903,972	9.55%	0.00%	\$0
2023	\$879,895,419,279	21.78%	0.00%	\$0
2024	\$833,036,264,378	-5.33%	0.96%	\$7,905,493,872
2025	\$849,326,907,016	1.96%	-0.22%	(\$1,887,118,987)
2026	\$882,856,682,900	3.95%	-0.62%	(\$5,527,850,303)
2027	\$918,460,797,135	4.03%	-1.65%	(\$15,443,421,136)
2028	\$958,369,483,476	4.35%	-2.52%	(\$24,765,869,686)
2029	\$998,400,540,072	4.18%	-3.55%	(\$36,784,793,640)
2030	\$1,040,684,397,262	4.24%	-4.07%	(\$44,198,848,468)
2031	\$1,086,361,963,394	4.39%	-5.01%	(\$57,357,409,109)
2032	\$1,138,582,343,144	4.81%	-5.77%	(\$69,664,026,908)
2033	\$1,193,085,925,422	4.79%	new	new

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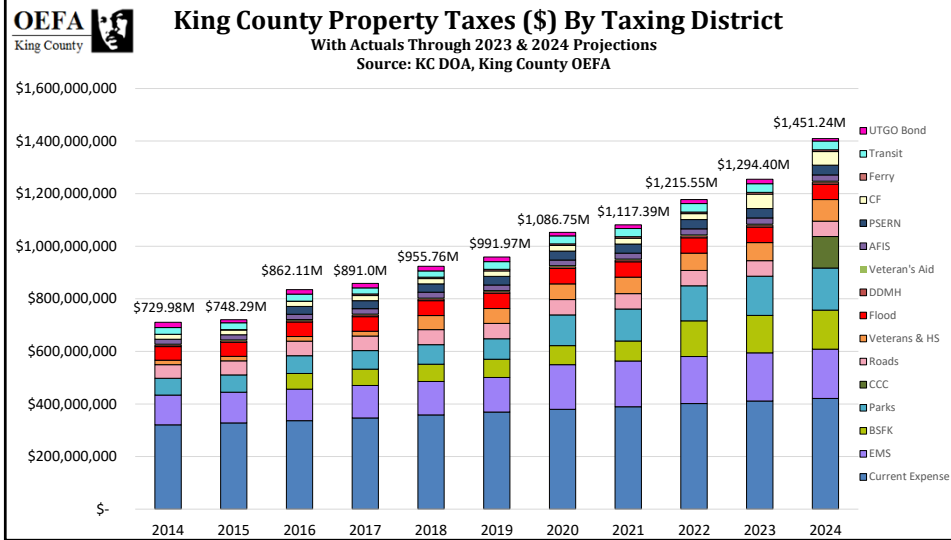
## Countywide New Construction Assessed Value Forecast

Tax Year	Value	Annual Growth	% Change from August 2023 Forecast	\$ Change from August 2023 Forecast
2022	\$10,199,660,966	-3.87%	0.00%	\$0
2023	\$10,398,469,580	1.95%	0.00%	\$0
2024	\$11,474,964,152	10.35%	17.90%	\$1,742,419,970
2025	\$10,691,972,290	-6.82%	13.58%	\$1,278,347,086
2026	\$10,997,913,165	2.86%	9.90%	\$990,472,623
2027	\$11,318,639,202	2.92%	8.22%	\$859,660,394
2028	\$11,669,565,864	3.10%	6.31%	\$692,388,008
2029	\$11,927,113,098	2.21%	3.78%	\$434,600,494
2030	\$12,535,206,677	5.10%	4.54%	\$543,977,044
2031	\$12,822,875,691	2.29%	2.08%	\$261,560,821
2032	\$13,242,492,412	3.27%	-0.20%	(\$26,094,770)
2033	\$13,770,908,089	3.99%	new	new

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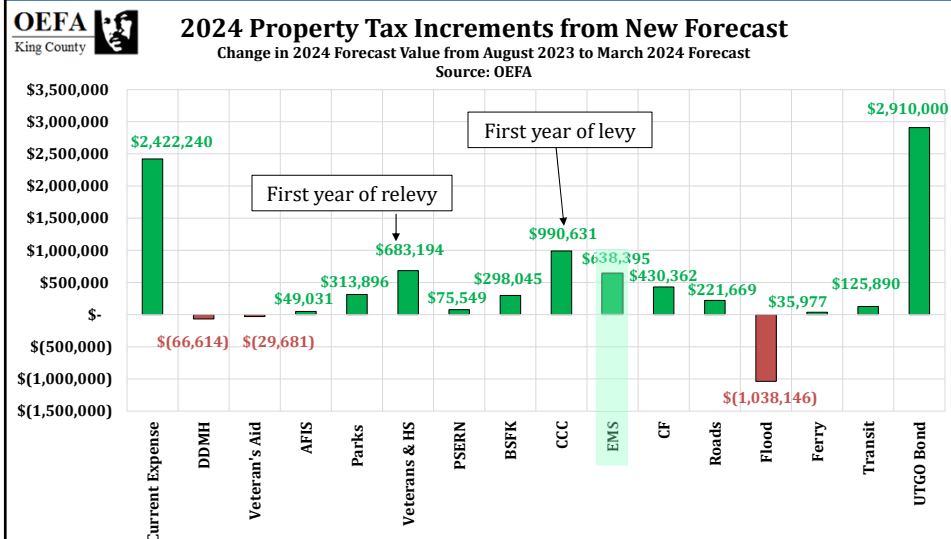


## Property Taxes By Taxing District Since 2014



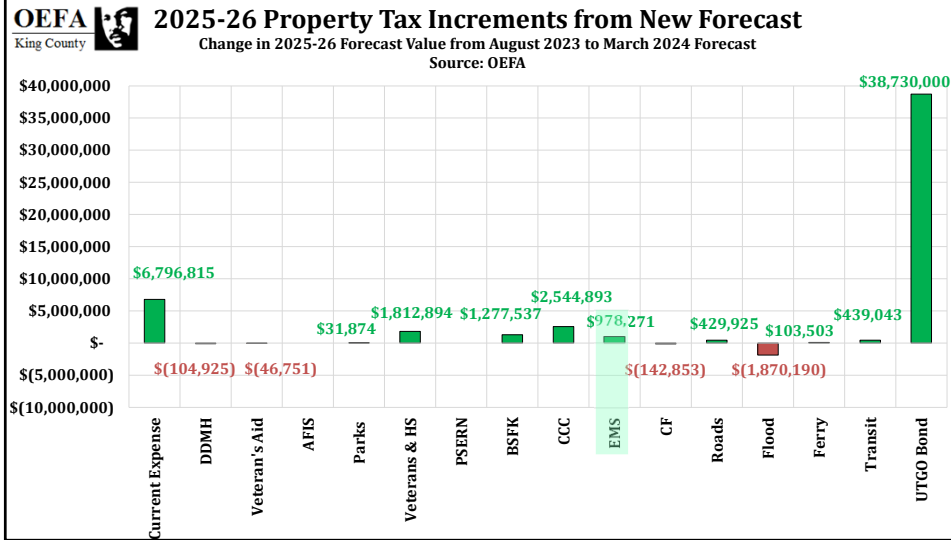
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## The 2024 outlook improved for most of the property tax levies



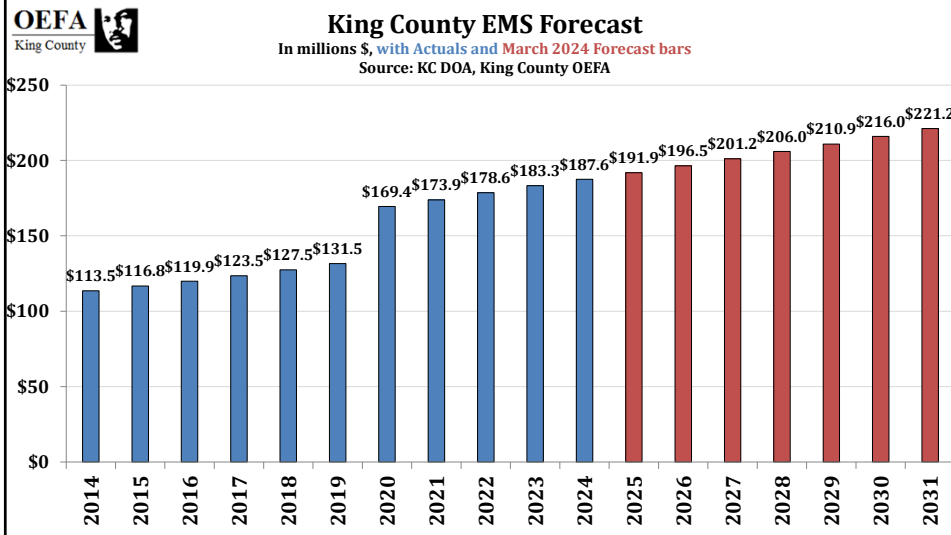
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## Mostly positive changes for our property tax levies in 2025 & 2026



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## EMS Levy Forecast



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**King County  
Office of Economic and Financial Analysis**

<http://www.kingcounty.gov/independent/forecasting.aspx>

Email: [lmartinmahar@kingcounty.gov](mailto:lmartinmahar@kingcounty.gov)



## FINANCE SUBCOMMITTEE

### 2026-2031 MEDIC ONE/EMS LEVY PLANNING

MAY 16, 2024

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## GENERAL LEVY INFORMATION -

- Regional and Tiered System
- Funded by six-year property tax levy
- Property taxes distributed between City of Seattle and KC EMS Fund based on actual % of Assessed Valuation (AV) in each area.
- Each levy period incorporates programmatic recommendations reflecting emerging needs and review of existing programs

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## FINANCIAL PLANNING FRAMEWORK

- Review of EMS Levy Financial Structure
- 2020-2025 Original Plan compared to Current Update
- Drivers
- Policy decisions
- Reserves & Risk Analysis

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## EMS PROGRAMS AREAS

- ADVANCED LIFE SUPPORT (ALS)
- BASIC LIFE SUPPORT (BLS) including MOBILE INTEGRATED HEALTHCARE (MIH)
- REGIONAL SERVICES (RS) and STRATEGIC INITIATIVES (SI)
- RESERVES

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## ORIGINAL LEVY PLAN VS CURRENT UPDATED PLAN

King County EMS Fund Only  
Property Tax Tables include Seattle

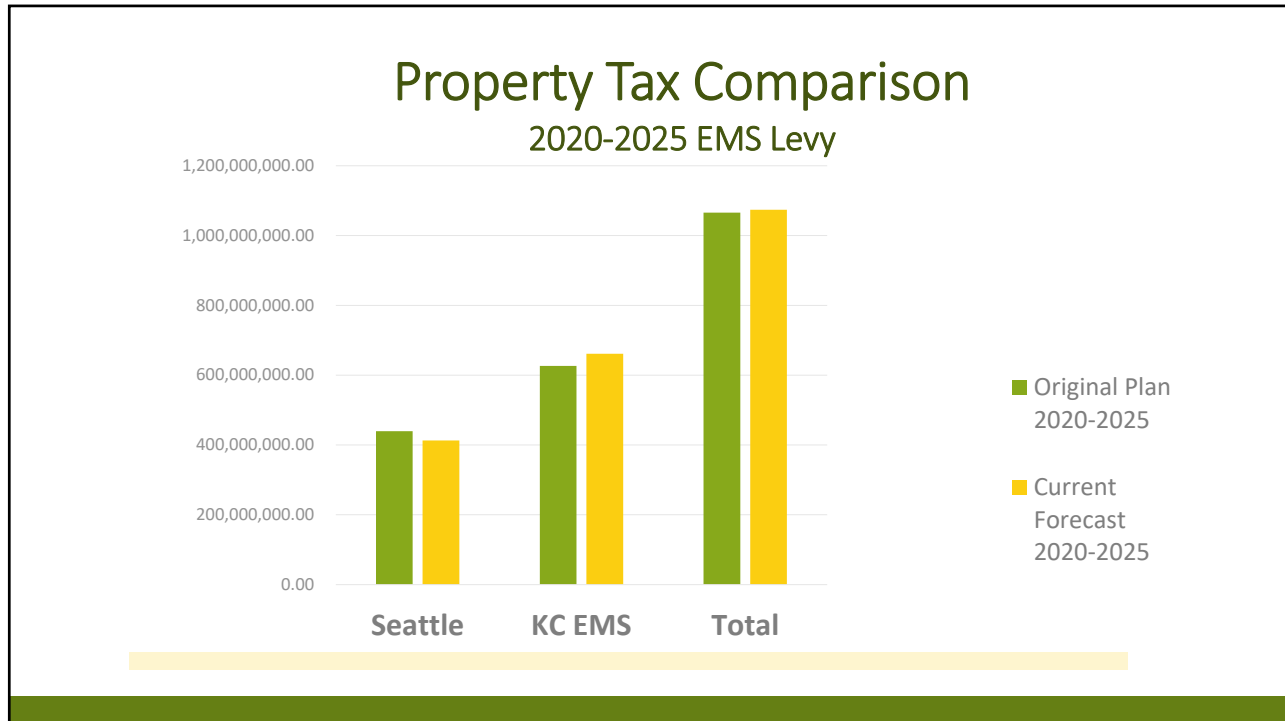
- ❖ Increased expenditures due to high inflation
- ❖ Increased revenues due to higher property taxes and interest income

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## ORIGINAL PLAN & CURRENT UPDATED PLAN

- **Revenues**
  - Property taxes
  - Percentage of taxes to Seattle and KC EMS fund
  - Interest Income
- **Expenditures**
  - Advanced Life Support
  - Basic Life Support (including MIH)
  - Regional Services
  - Strategic Initiatives

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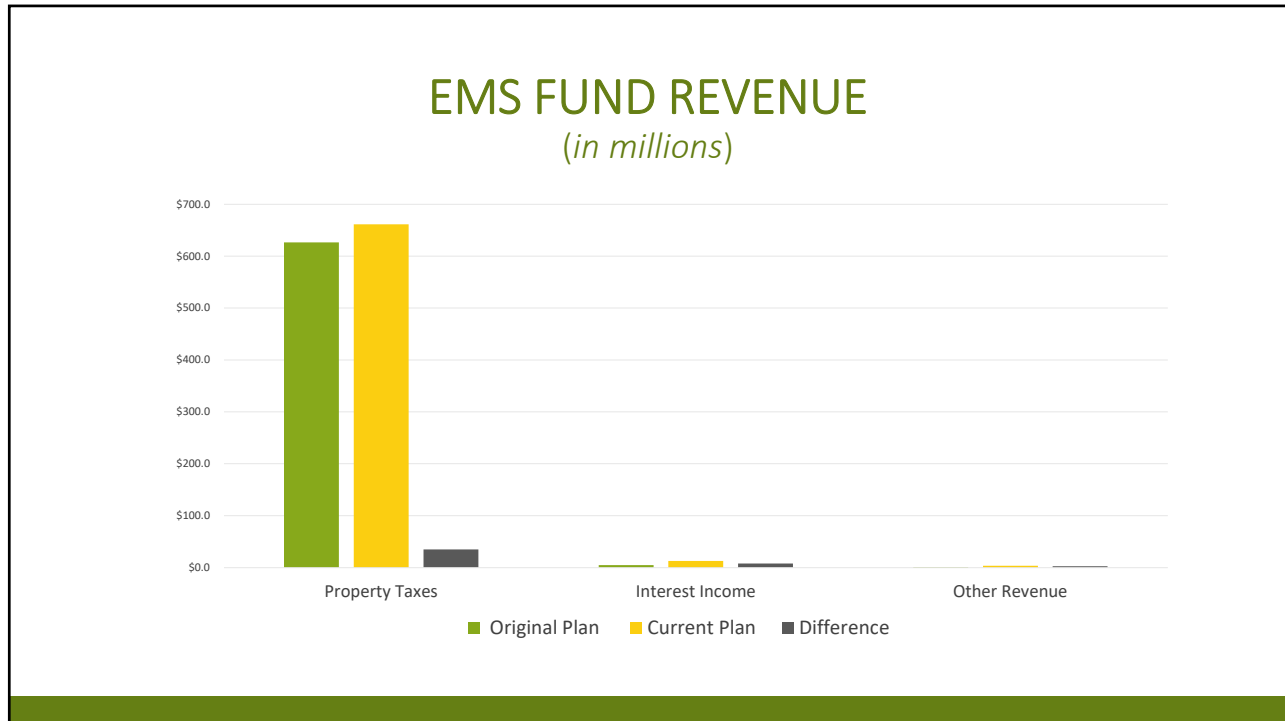
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### EMS Property Tax Comparison 2020-2025 EMS Levy

Fund	Original Plan	Current Updated	Difference	% change
Seattle	439,376,872	412,691,416	(26,685,456)	-6.1%
KC Fund	626,385,055	661,242,489	34,857,435	5.6%
<b>Total</b>	<b>1,065,761,927</b>	<b>1,073,933,905</b>	<b>8,171,979</b>	<b>0.8%</b>
Seattle %	41.2%	38.4%	-2.8%	
KC EMS %	58.8%	61.6%	2.8%	

- Property Taxes Higher than planned
- KC EMS % higher than planned
- Based on 1% delinquency rate for 2020-2025 levy rate

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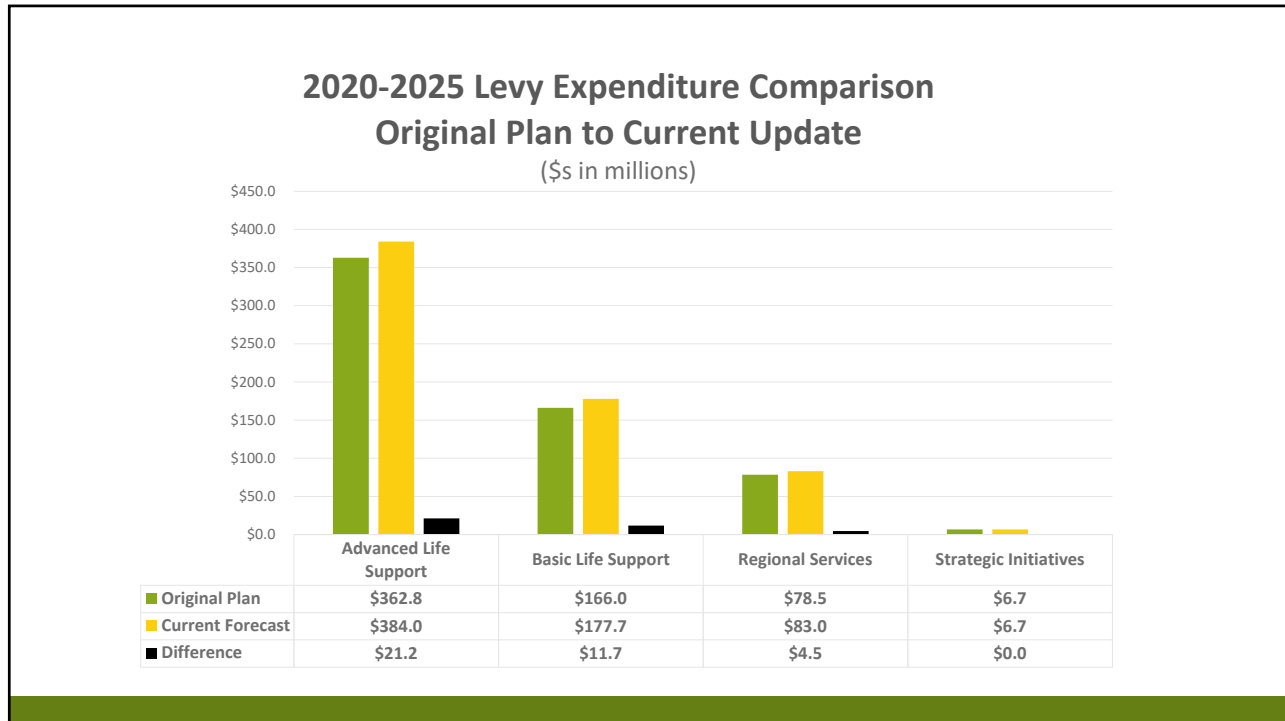
### KC EMS Fund Revenues 2020-2025 Levy

Revenue	Original Plan	Current Plan	Difference	% change
Property Taxes	\$626,385,055	\$661,242,489	\$34,857,434	5.6%
Interest Income	\$4,711,000	\$12,606,713	\$7,895,713	167.6%
Other Revenue	\$973,200	\$3,409,148	\$2,435,948	250.3%
<b>Total</b>	<b>\$632,069,255</b>	<b>\$677,258,350</b>	<b>\$45,189,095</b>	<b>7.1%</b>

- Property Taxes: higher overall + higher split
- Higher interest rates = higher interest income

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### KC EMS Fund Expenditures 2020-2025 Levy

Program	Original Plan	Current Plan	Difference	% change
Advanced Life Support	\$362,839,345	\$384,013,301	\$21,173,956	6%
Basic Life Support	\$166,033,083	\$177,735,993	\$11,702,910	7%
Regional Services	\$78,457,988	\$82,990,109	\$4,532,121	6%
Strategic Initiatives	\$6,728,570	\$6,728,570		0%
<b>TOTAL</b>	<b>\$614,058,985</b>	<b>\$651,467,973</b>	<b>\$37,408,987</b>	<b>6%</b>

- Increase primarily related to high inflation
- Inflation increase over levy period from plan = 6%

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# FINANCIAL CONSIDERATIONS

FOCUS ON 2026-2031 LEVY

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## MAIN DRIVERS – REVENUES

- Beginning Assessed Valuation (AV) determine starting level of new levy
- New Construction levels
- Split between Seattle and King County (based on AV)
- Amount of reserves to carry forward from 2020-2025 levy
- Interest Income

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## MAIN DRIVERS – EXPENDITURES & RESERVES

- Number of ALS units and cost per unit
- Cost escalators (inflaters)
- Adds of new or enhanced services and funding
  
- Reserves and Contingencies
  - Placeholder for potential new ALS units

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## POLICIES / INFRASTRUCTURE

### REVENUES

- Confidence levels (65% per KC policy)
- Change: forecast 100% of property taxes from including 1% delinquency rate

### EXPENSES

- Inflaters -- Currently use local CPI-W +1% for operating costs & PPI for equipment

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## RESERVE POLICY & CATEGORIES

Policy: provide a prudent level of financial resources to meet specific purposes and needs

Reserve Categories:

- Expenditure Reserves
- Rainy Day Reserves
- Rate Stabilization Reserve

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## CURRENT EMS RESERVES

- **ALS Expenditure**
  - ALS Capacity: temporary capacity, facilities, placeholder for potential new units
  - ALS Equipment: to cover changed costs and/or new equipment
- **Rainy Day** (90 days) -- covers variable costs, unanticipated revenue fluctuations
- **Supplemental** (categorized as Rate Stabilization Reserve)
  - Replenishes rainy day reserves during levy period; balance used to buy down next levy rate
- **Contingencies** included in EMS Fund to cover unexpected expenses not included in reserves (formerly EMS Operational Reserves)

❖ Questions, comments or other considerations?

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## USE OF RESERVES & CONTINGENCIES

- Process for reviewing and recommending use of reserves and contingencies
- Review process includes external partners and utilizes existing oversight mechanisms

Reserve	Use in 2020-2025 levy period	Value
Temporary capacity	Closure Woodinville-Duvall Road	\$175,275
Facility Renovations	Medic 123 @ Kirkland; Medic 142 @ Bothell	\$430,000
Contingency*	ALS Support for BLS Activities (2023-2025)	\$1,797,472

\*Use of Contingency approved for expanded Regional Initial EMT Training and Support of Initial Paramedic Training at Harborview (RS was able to cover costs within allocation)

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## RISK ANALYSIS

### Added Risk Analysis last levy period;

- Used to evaluate funding level for supplemental reserves

### Looked at options:

- Expense:
  - Inflation higher than planned
- Revenues:
  - AV lower than planned
  - Change in % to Seattle and King County

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## KEY ASSUMPTIONS FOR PROPOSED SCENARIOS

### Evaluates potential impacts of revenue and expenditure risks

- Expenses: inflation (CPI-W) higher than planned
- Revenue: property taxes less than planned

- **Starting & future yrs AV less than planned with reductions in taxes (Scenario A)**

- Starting AV growth (2025) & future years at 90% of projections
  - 2025: 1.8% rather than 1.96%
  - 2026: 3.6% rather than 3.95%
  - 2027-2031: 3.6% - 4.0% rather than 4%-4.4%

- **New construction below forecast with reductions in property taxes (Scenario B)**

- New Construction Reduction of 20%
- Reduction in New Construction of 30%

- **CPI-W higher than planned with increases in levy costs (Scenario C)**

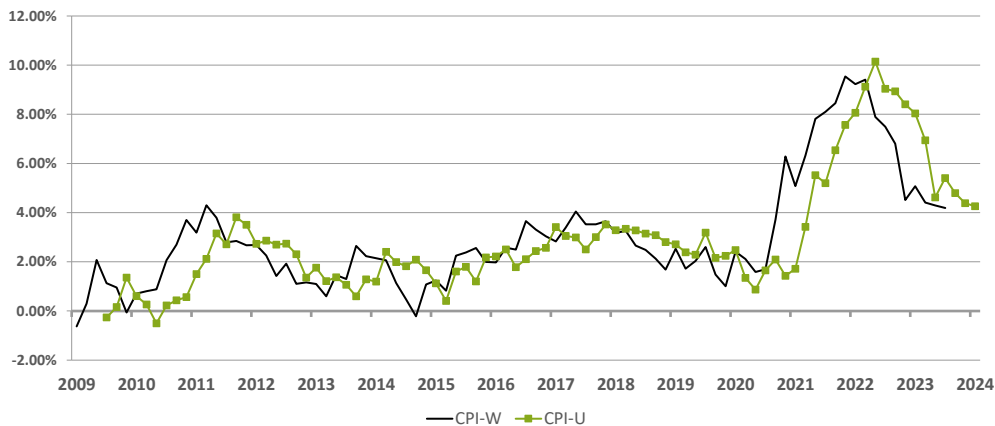
- **Change in future projections of Seattle & KC EMS Funds (Scenario D)**

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## RECENT INFLATION – HIGHER INFLATION IN NEAR-TERM



Seattle CPI-W & CPI-U Inflation - Bi-monthly  
2009 - 2024

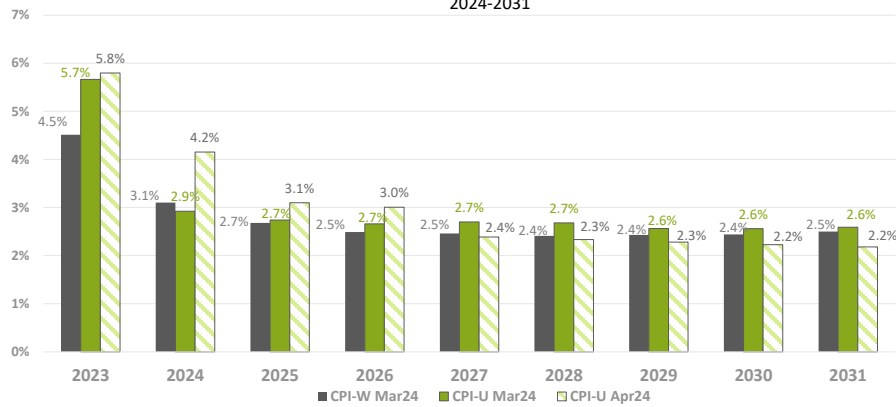


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## MOST RECENT INFLATION FORECAST – HIGHER INFLATION IN NEAR TERM



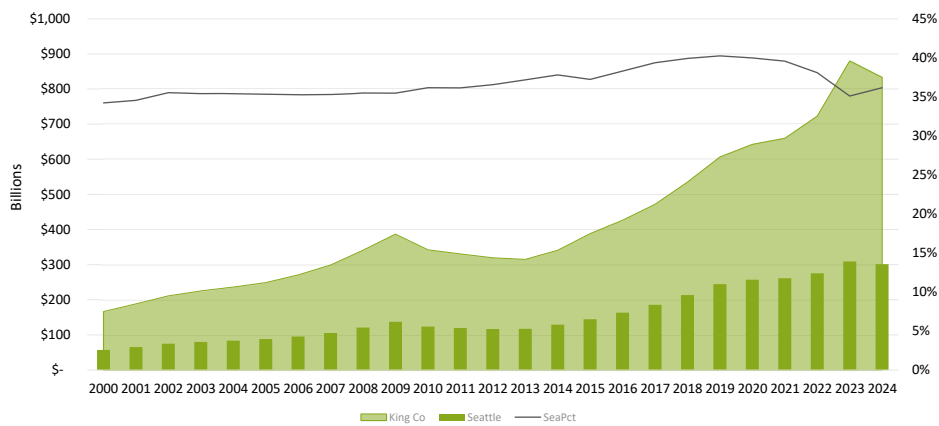
**Seattle CPI-W and CPI-U Forecasts-  
March & April 2024**  
2024-2031



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## SEATTLE PORTION OF TOTAL AV – RECENT DECLINE WITH UPTICK IN 2024

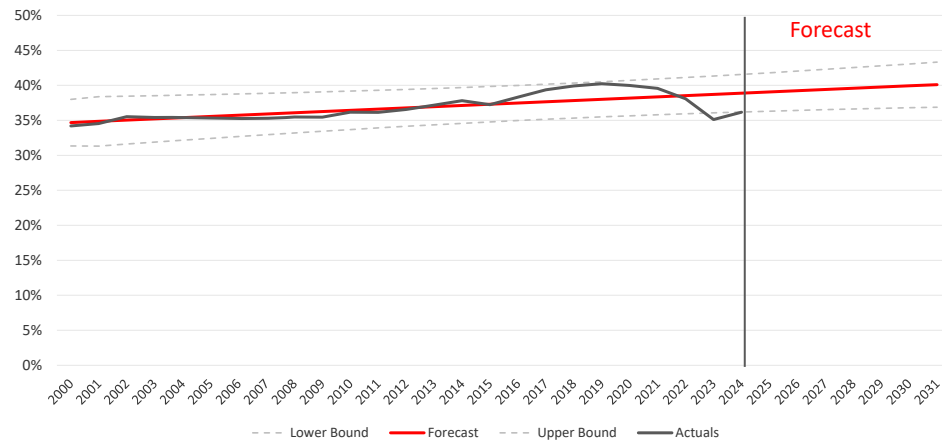
**Assessed Value Trends - King County & Seattle With Seattle Percent of Total AV**



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## SEATTLE PORTION OF TOTAL AV – FORECAST OPTIONS

OPTION 1: Includes the historical trend & moving average without other explanatory variables



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## RISK ANALYSIS – SUPPLEMENTAL RESERVES

Which analyses to include?

- Inflation higher than planned scenarios?
- Potential reduced revenues scenarios?
- Others?

➤ **DISCUSSION:** Risk analysis to include for this levy period

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## KEY ASSUMPTIONS FOR SCENARIOS

- **Evaluates potential impacts of revenue and expenditure risks**
  - Expenses: inflation (CPI-W) higher than planned
  - Revenue: property taxes less than planned
- **Starting & future yrs AV less than planned with reductions in taxes (Scenario A)**
  - Starting AV growth (2025) & future years at 90% of projections
    - 2025: 1.8% rather than 1.96%
    - 2026: 3.6% rather than 3.95%
    - 2027-2031: 3.6% - 4.0% rather than 4%-4.4%
- **New construction below forecast with reductions in property taxes (Scenario B)**
  - New Construction Reduction of 20%
  - Reduction in New Construction of 30%
- **CPI-W higher than planned with increases in levy costs (Scenario C)**
- **Change in future projections of Seattle & KC EMS Funds (Scenario D)**

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## LEVY LENGTH

Options: 6 years, 10 years, permanent

6-year	10-year	Permanent
Lowest overall \$s	Higher \$s	Higher / unknown
Lower levy rate	Higher levy rate	
Lowest financial risk	High financial risk	Highest financial risk
Ability to reset and/or accommodate new programs	Less ability to reset and/or accommodate new programs	Levy Lid Lift required to reset and/or accommodate new programs

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6-year	10-year	Permanent
Lowest overall \$s	Higher \$s	Higher / unknown
Lower levy rate	Higher levy rate	
Lowest financial risk	High financial risk	Highest financial risk
Ability to reset and/or accommodate new programs	Less ability to reset and/or accommodate new programs	Levy Lid Lift required to reset and/or accommodate new programs

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## DISCUSSION OF FINANCIAL PLANNING CONSIDERATIONS

Inflators

Reserves (incl Risk Analysis)

Levy length

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# PRELIMINARY STATUS QUO PROPOSAL (PSQ) 2026-2031 EMS LEVY

- What-if we continue existing programs and only add forecast inflation

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## 2026-2031 EMS LEVY PRELIMINARY STATUS QUO (PSQ)

*in millions*

REVENUES	Seattle	KC EMS	Total
Property Taxes	\$587.1	\$865.4	\$1,452.5
Other Revenue		\$17.5	\$17.5
<b>TOTAL Revenue</b>	<b>\$587.1</b>	<b>\$882.9</b>	<b>\$1,470.0</b>
EXPENDITURES			
Advanced Life Support (ALS)	\$239.6	\$499.2	\$738.8
Basic Life Support (BLS)	\$343.9	\$233.1	\$577.0
Regional Services (RS)		\$108.0	\$108.0
Strategic Initiatives (SI)		\$8.7	\$8.7
<b>TOTAL Expenditures</b>	<b>\$583.4</b>	<b>\$849.0</b>	<b>\$1,432.5</b>
Reserves		\$62.5	\$62.5

Reserve cost partially covered by \$25 million from 2020-2025 levy

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## RESERVES – PRELIMINARY STATUS QUO KING COUNTY EMS LEVY FUND

Category	Value (in millions)	Total (in millions)
ALS Expenditure Reserves		\$18.2 m
ALS Capacity Reserve	\$1.56 m	
Placeholder for potential new units	\$15.36 m	
ALS Equipment Reserve	\$1.30 m	
Rainy Day Reserves		\$38.3 m
Supplemental Reserves		\$6.0 m
<b>Total</b>		<b>\$62.5 m</b>
Reserve funding from new levy		\$37.5 m
Carryforward from 2020-2025 levy		\$25.0 m
<b>Total</b>		<b>\$62.5 m</b>

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## COMPARISON – 2020 LEVY TO 2026 PSQ KING COUNTY EMS LEVY FUND

EMS LEVY PLAN - Comparison 2020-2025 to 2026-2031 PSQ				
<i>(In Millions)</i>				
Program	2020-2025	2026-2031	Difference	% Increase
Advanced Life Support*	\$384.0	\$499.2	\$115.2	30%
Basic Life Support	\$177.7	\$233.1	\$55.4	31%
Regional Services	\$83.0	\$108.0	\$25.0	30%
Strategic Initiatives	\$6.7	\$8.7	\$2.0	30%
<b>TOTAL</b>	<b>\$651.5</b>	<b>\$849.0</b>	<b>\$197.5</b>	<b>30%</b>
Reserves	2020-2025	2026-2031	Difference	% Increase
ALS Reserves	\$13.8	\$18.2	\$4.4	32%
Rainy Day	\$27.8	\$38.3	\$10.5	38%
Supplemental	\$9.2	\$6.0	(\$3.2)	-35%
<b>TOTAL</b>	<b>\$50.8</b>	<b>\$62.5</b>	<b>\$11.7</b>	<b>23%</b>

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## ECONOMIC / FINANCIAL PLAN UPDATES

- Today: Preliminary Status Quo
- Next meeting, July 25th:
  - Updated forecast (released July 22<sup>nd</sup>)
  - Initial Proposed Financial Plan
- Final meeting, September 26th:
  - Updated forecast (released August 29<sup>th</sup>)
  - Final Proposed Financial Plan
- Prior to ballot: “Original Plan” accompanying ballot updated to most recent forecast

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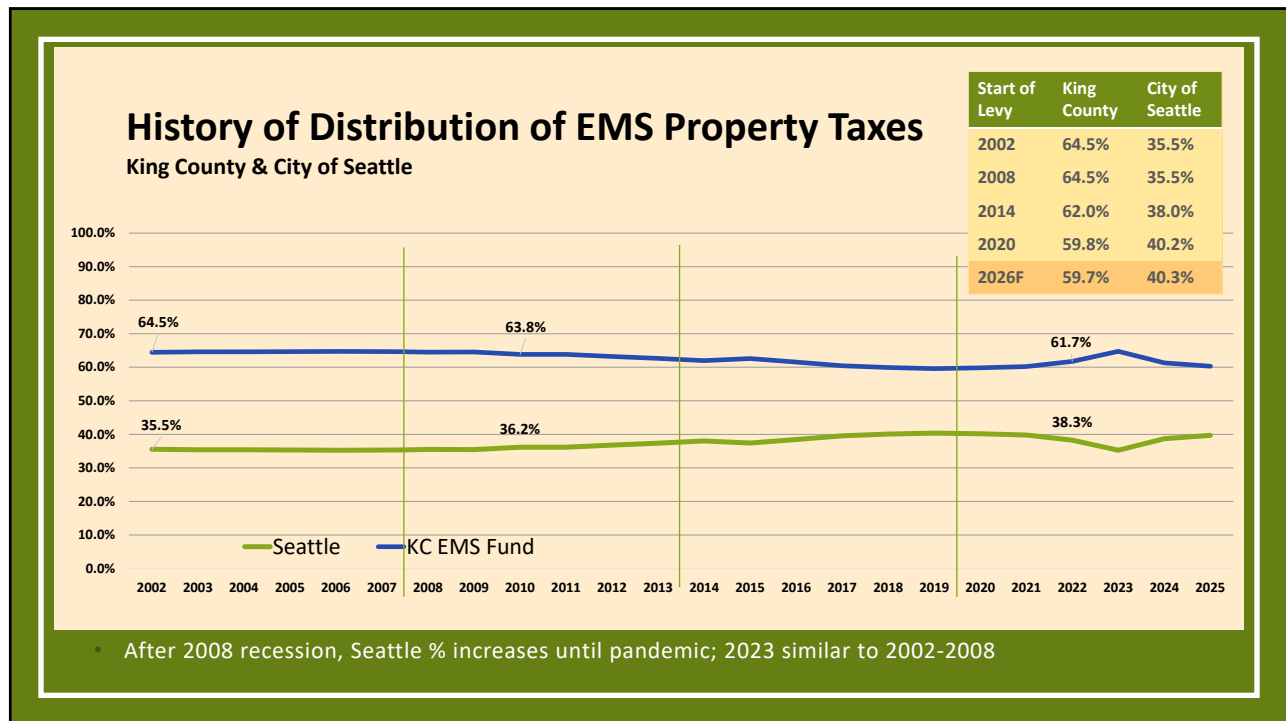
QUESTIONS??

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### THE LAST SLIDE



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