

Finance Subcommittee

Medic One/EMS Strategic Plan & Levy Reauthorization

February 1, 2018

1:00 PM – 3:00 PM

**Renton Fire Station 14
1900 Lind Ave SW, Renton**

Chair: John Marchione, Mayor of Redmond

Agenda

- **Opening Remarks & Introductions** (5 minutes)
- **Roles, Timeline, Work Plan and Principles** (20 minutes)
- **Review of Current Economic Circumstances** (40 minutes)
- **Historical Financial Information** (40 minutes)
- **Next Steps/Work Plan revisit** (15 minutes)

Next Meeting of the Finance Subcommittee

April 19, 2018 1:00 – 3:00 pm, location TBD

Future Subcommittee Meetings – February 2018

ALS

February 13, 2018 1:00 – 3:00, Renton Fire Station #14 (1900 Lind Avenue SW, Renton)

BLS

February 20, 2018 1:00 – 3:00, Classroom 1 – City of Seattle Joint Training Facility (located at 9401 Myers Way South in Seattle)

Medic One/EMS Strategic Plan & Levy Reauthorization

PROPOSED Finance Subcommittee Work Plan

for review at 2/1/18 meeting

Task: Finalize Financial Plan and corresponding levy rate to support program recommendations for next levy span.

Components and considerations include:

- Programmatic Recommendations
- Reserves and contingencies
- Inflaters
- Financial and reserve policies and requirements
- Confidence level implications
- Seattle/King County split
- Assumptions related to income collected outside of property tax

Meeting	Finance Subcommittee Work Plan Activities
Meeting #1 February 1, 2018	<u>Roles/Responsibilities</u> <u>Review Fundamental Principles</u> <u>Work Plan</u> <u>Financial Orientation</u> <ul style="list-style-type: none"> - Current economic circumstances facing the region - History of EMS levy - Current Financial Plan - Policies for reserve, contingencies and program balances
<div> <div> \$ \$ \$ \$ \$ </div> <div> NEW ECONOMIC INDICATORS – mid March, 2018 </div> <div> \$ \$ \$ \$ \$ </div> </div>	
Meeting #2 April 19, 2018	<u>ALS, BLS and Regional Services Draft reports:</u> <ul style="list-style-type: none"> - Review Subcommittee recommendations - Make recommendations to Task Force <u>Review new economic forecasts</u> <u>Financial Review of” Status Quo”</u> <ul style="list-style-type: none"> - Expenditures - Revenues - Main drivers (expenditures & revenues) & policy decisions
TASK FORCE meeting April 26, 2018	<u>Report on Subcommittee preliminary findings to date</u> <u>Update on Economic “Status Quo”</u> <u>Levy Issues discussion</u>
<div> <div> \$ \$ \$ \$ \$ </div> <div> NEW ECONOMIC INDICATORS – mid to late July, 2018 </div> <div> \$ \$ \$ \$ \$ </div> </div>	

Meeting	Finance Subcommittee Work Plan Activities
Meeting #3 July 24, 2018	<u>ALS, BLS and Regional Services draft reports</u> <ul style="list-style-type: none"> - Review Subcommittee recommendations - Make recommendations to Task Force - New/revised programmatic Financial Plan - Outstanding items for consideration
TASK FORCE meeting July 31, 2018	<u>Present Subcommittee proposals</u> <u>Key Task Force Issues</u>
\$ \$ \$ \$ \$ NEW ECONOMIC INDICATORS – mid to late August, 2018 \$ \$ \$ \$ \$	
Meeting #4 September 25, 2018	<u>Finalize ALS, BLS and Regional Services draft recommendations</u> <u>Finalize remaining Financial Plan components</u>
TASK FORCE meeting October 16, 2018	<u>Economic Update</u> <u>Discussion and adoption of</u> <ul style="list-style-type: none"> - Programmatic Recommendations - Financial Recommendations - EMS Levy ballot timing

Medic One/EMS Strategic Plan & Levy Reauthorization

EMS STAKEHOLDER PRINCIPLES

As regional EMS Stakeholders, we remain committed to these fundamental principles:

1. REGIONAL SYSTEM

The Medic One/EMS system is based on partnerships that are built on regional, collaborative, cross-jurisdictional coordination. This seamless cohesion allows the system to excel in pre-hospital emergency care.

2. TIERED MEDICAL MODEL

The medical model, with its tiered system and intensive dispatch, EMT and paramedic training and protocols, has led to our success in providing high quality patient care throughout the region.

3. PROGRAMS & INNOVATIVE STRATEGIES

State of the art science-based strategies and programmatic leadership have allowed us to meet the needs and expectations of our residents and our system.

4. FOCUS ON COST EFFECTIVENESS AND EFFICIENCIES

The Medic One/EMS system has maintained financial viability and stability due to the region's focus on operational and financial efficiencies, effectiveness and cost savings.

5. MAINTAINING AN EMS LEVY AS FUNDING SOURCE

The EMS levy is a reliable and secure source of funding our world-renowned system.

2018 King County Economic and Revenue Forecast

Presentation to the Medic One/EMS Financial Subcommittee

Presented on:
February 1st, 2018

Dave Reich
Office of Economic and Financial Analysis



Overview

2017 continued many of the trends we've seen since the end of the recession

Lots of worry about “episodic volatility” due to a very stable genius

But overall economic conditions were pretty good

Growth will finish around 2%-2.5% (we've averaged 2.2% this expansion)

Job adds around 170K/month

Unemployment at 4.1% in December

Fed raises FF rate target three times in 2017

2018 looks faster, lower and higher

Growth looks to pick up a little on fiscal stimulus and momentum (2.5% - 2.8%)

Should achieve second longest expansion on record (after April, 2018)

Unemployment may fall to lowest level since the 1960s (<3.8%)

Inflation likely to pick up a little

Housing market continues growth

Biggest risk/uncertainty; federal gov., stock market

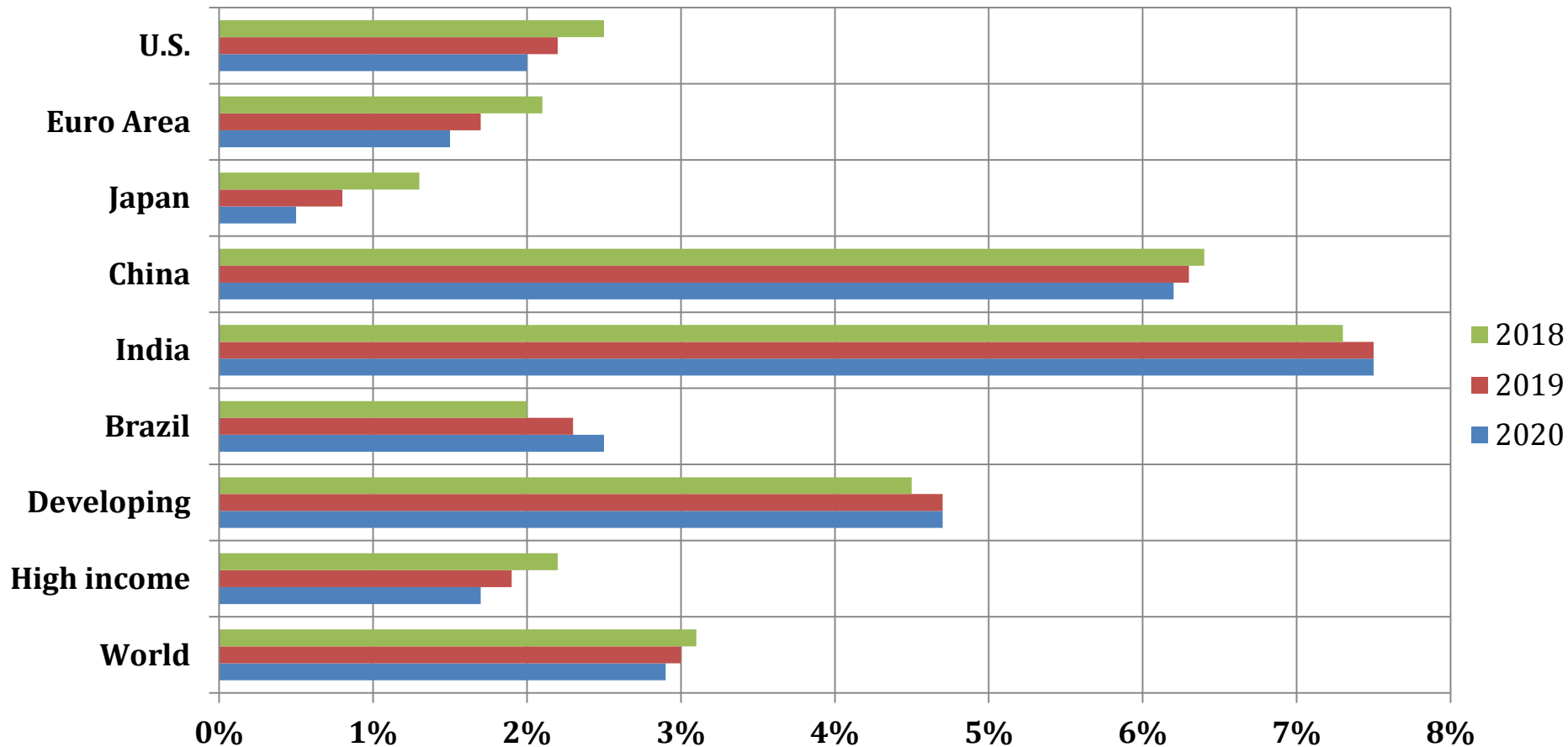
World economic growth to edge up in 2018



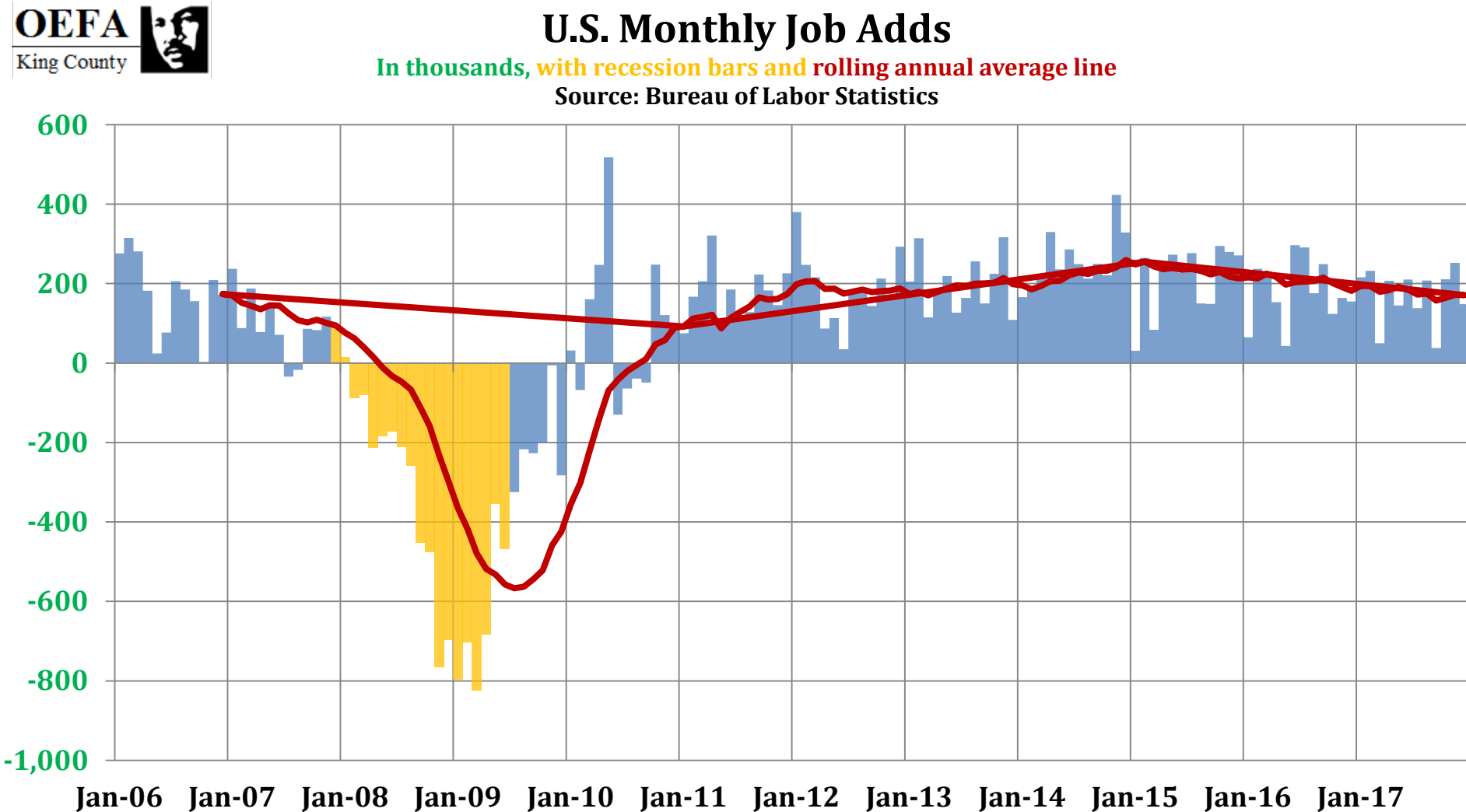
Global Real GDP Growth

Forecast 2018-2020

Source: World Bank, Jan. 2018



The U.S. economy has created nearly 18 million jobs since the recession...



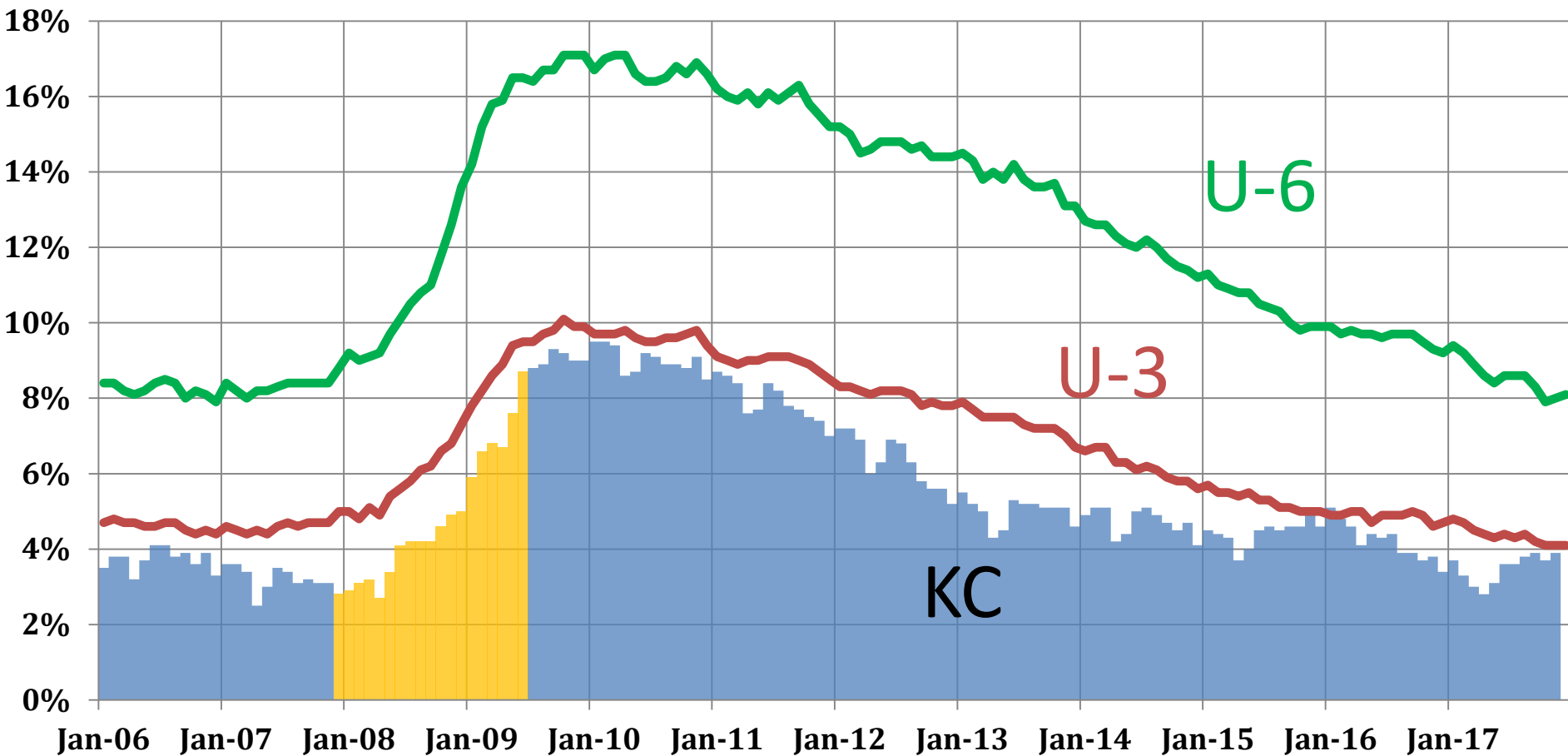
...And unemployment is reaching levels not seen for years



Unemployment Rates: U.S. & King County

Recession (bar), King County (bar), U.S. U3 (line), U.S. U6 (line)

Source: Bureau of Labor Statistics



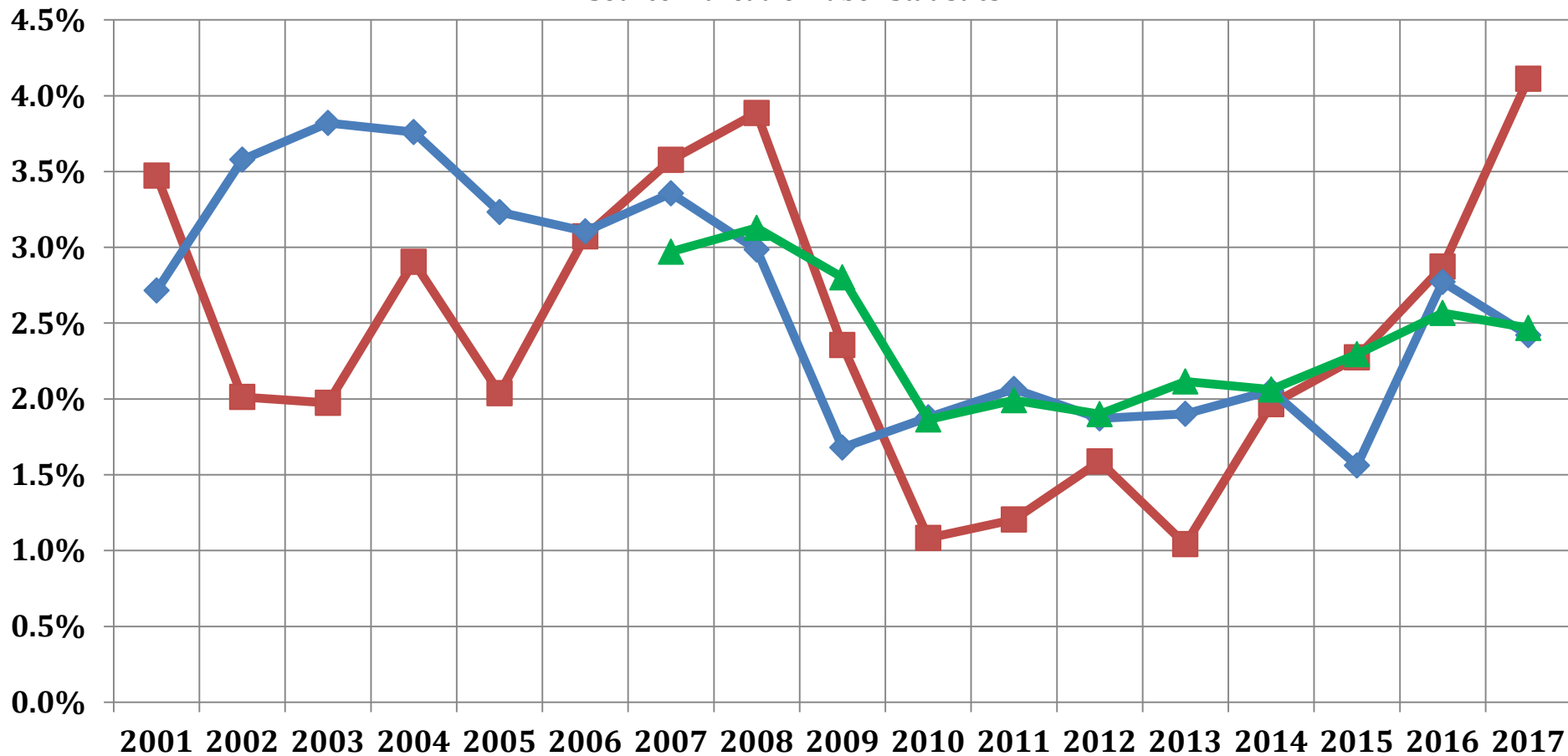
This reduced labor slack is leading to rising wages



U.S. Employment Compensation Growth

NSA employee cost index, nominal wage growth, and avg. hourly earnings

Source: Bureau of Labor Statistics



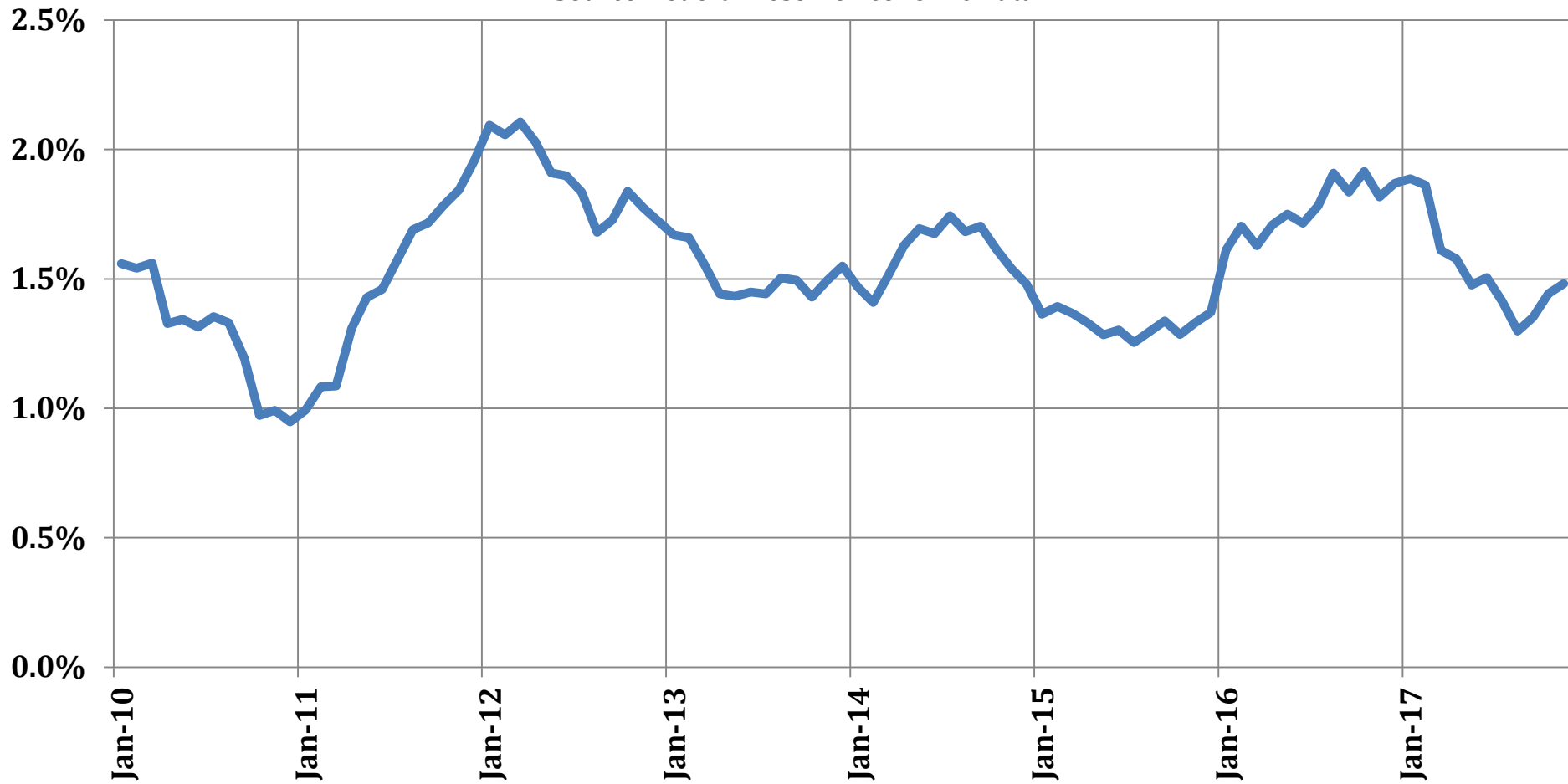
Inflation is generally heading toward the Fed's 2% goal but took a break in 2017



Personal Consumption Expenditure Index

Chain-type Price Index, Index 2009=100, Monthly, Seasonally Adjusted, Less Food & Energy

Source: Federal Reserve Economic Data



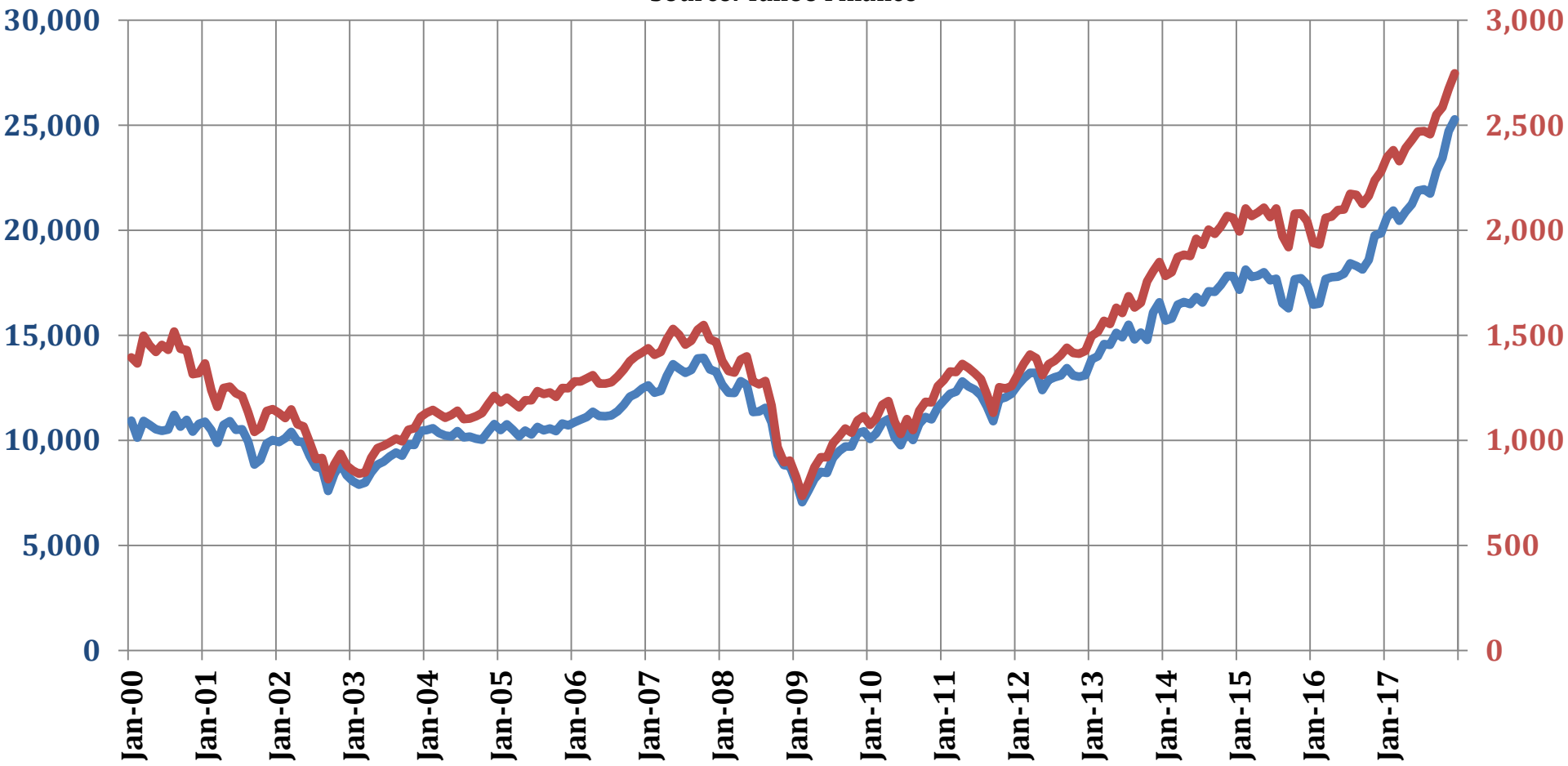
2017 was a fun year to check your stock portfolio



U.S. Equity Markets

Dow Jones Industrial Average and S&P 500

Source: Yahoo Finance



2017 tax changes are likely to provide short-term stimulus

Tax Changes

Corporate

- Corporate changes included lowering the statutory rate, allowed for temporary full expensing, caps the interest deduction
- Lower one-time repatriation tax
- Likely to impact investment and therefore growth

Personal

- 7 brackets remain but lower rates and higher thresholds
- Standard deduction now \$12K/\$24K but personal exemptions removed
- Expanded child tax credit and different indexing
- Overall, likely to be variable impacts
- Plus temporary nature mean taxes could rise in the long run

Other

ACA mandate repeal

Coming?

Infrastructure investment

Deregulation

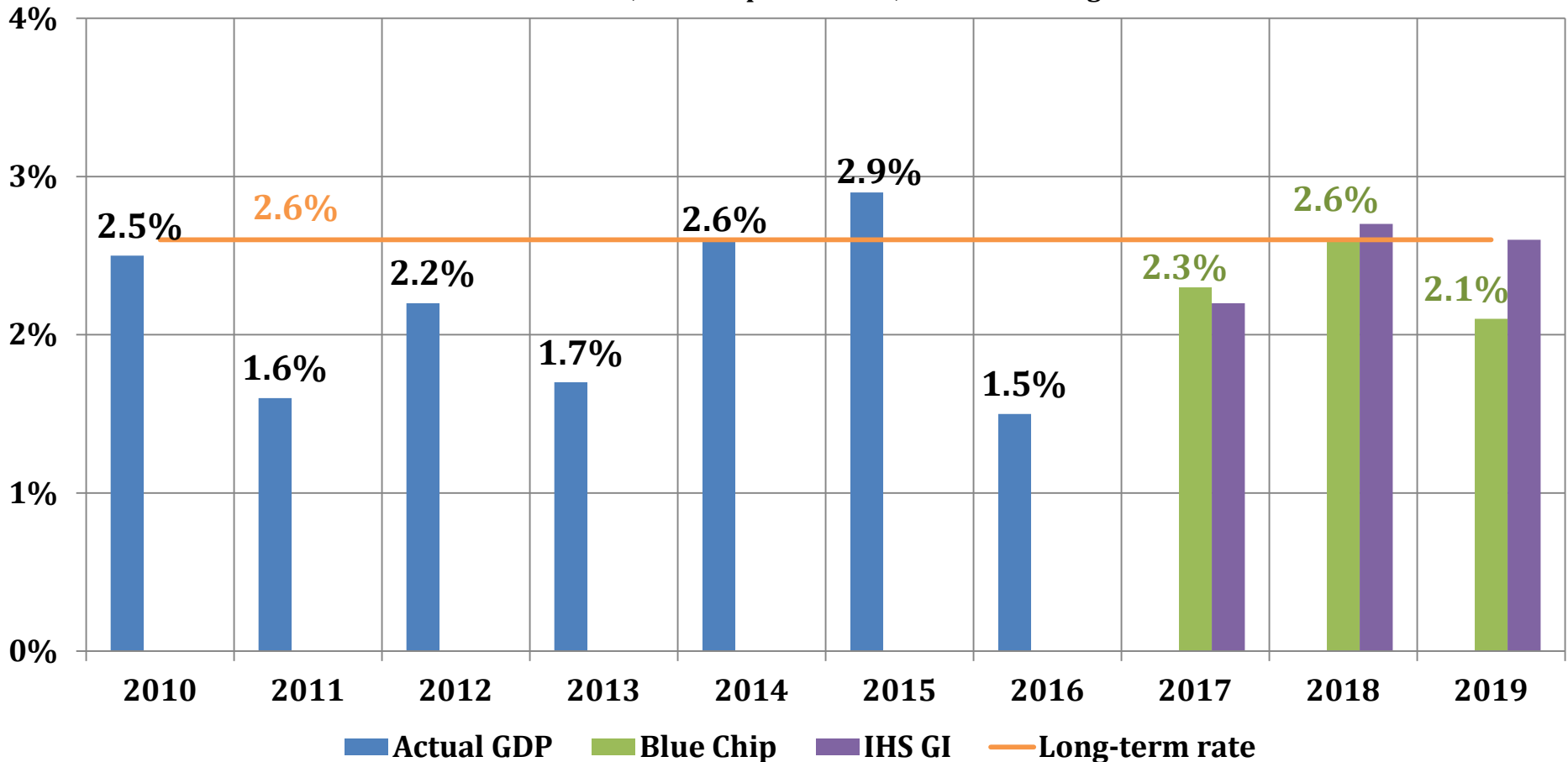
The U.S. growth forecast is for slightly faster growth in 2018



U.S. Real GDP Actuals and Forecast

Actuals 2010-2016, Forecast 2017-2019, LR Rate 1986-2016

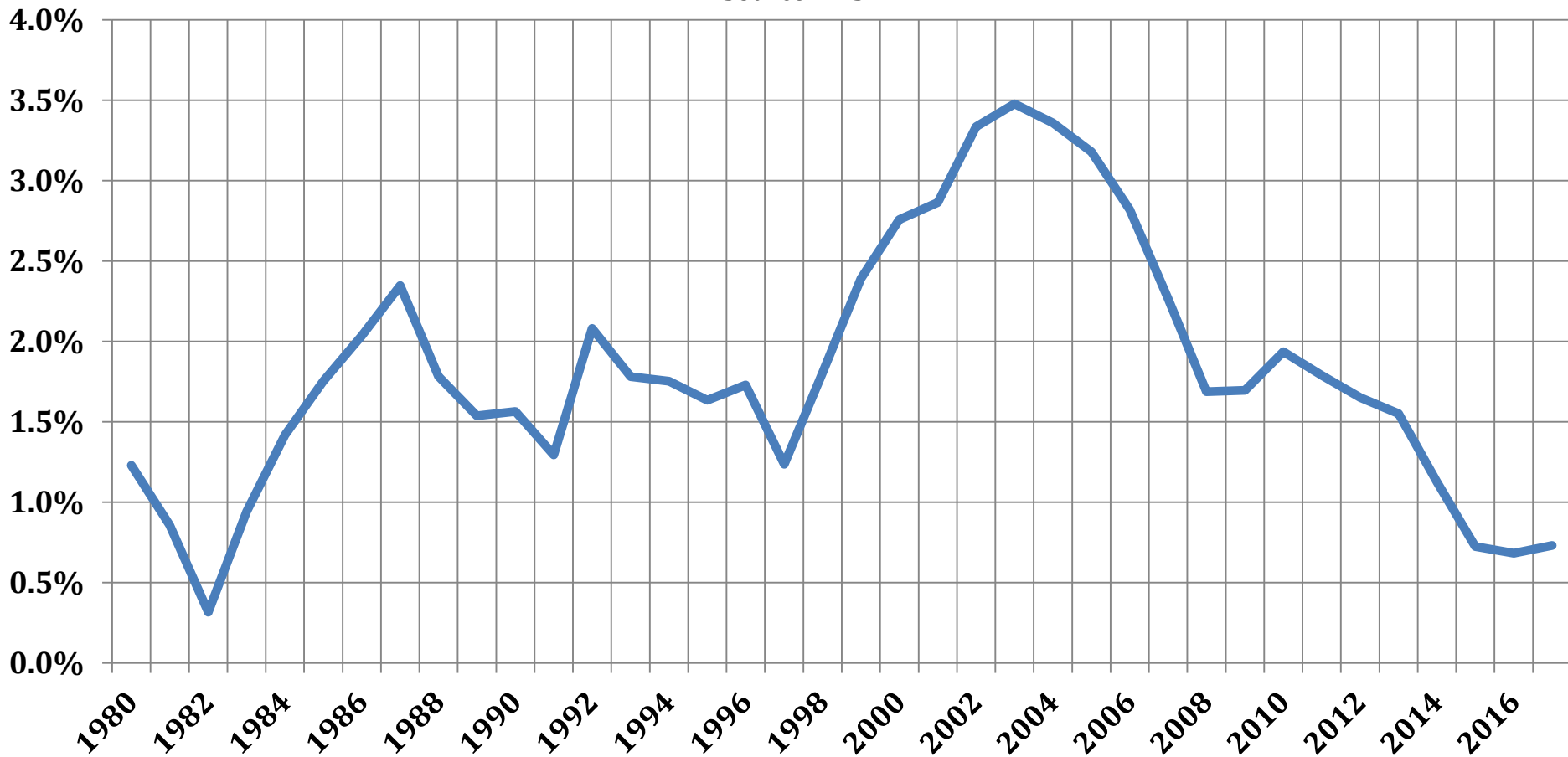
Source: FRED, Blue Chip Indicators, IHS Global Insight



“Stupendous” growth unlikely without a pick-up in productivity growth



Labor Productivity Growth Rate
Non-farm business, Five year rolling average, 1980-2017
Source: BLS



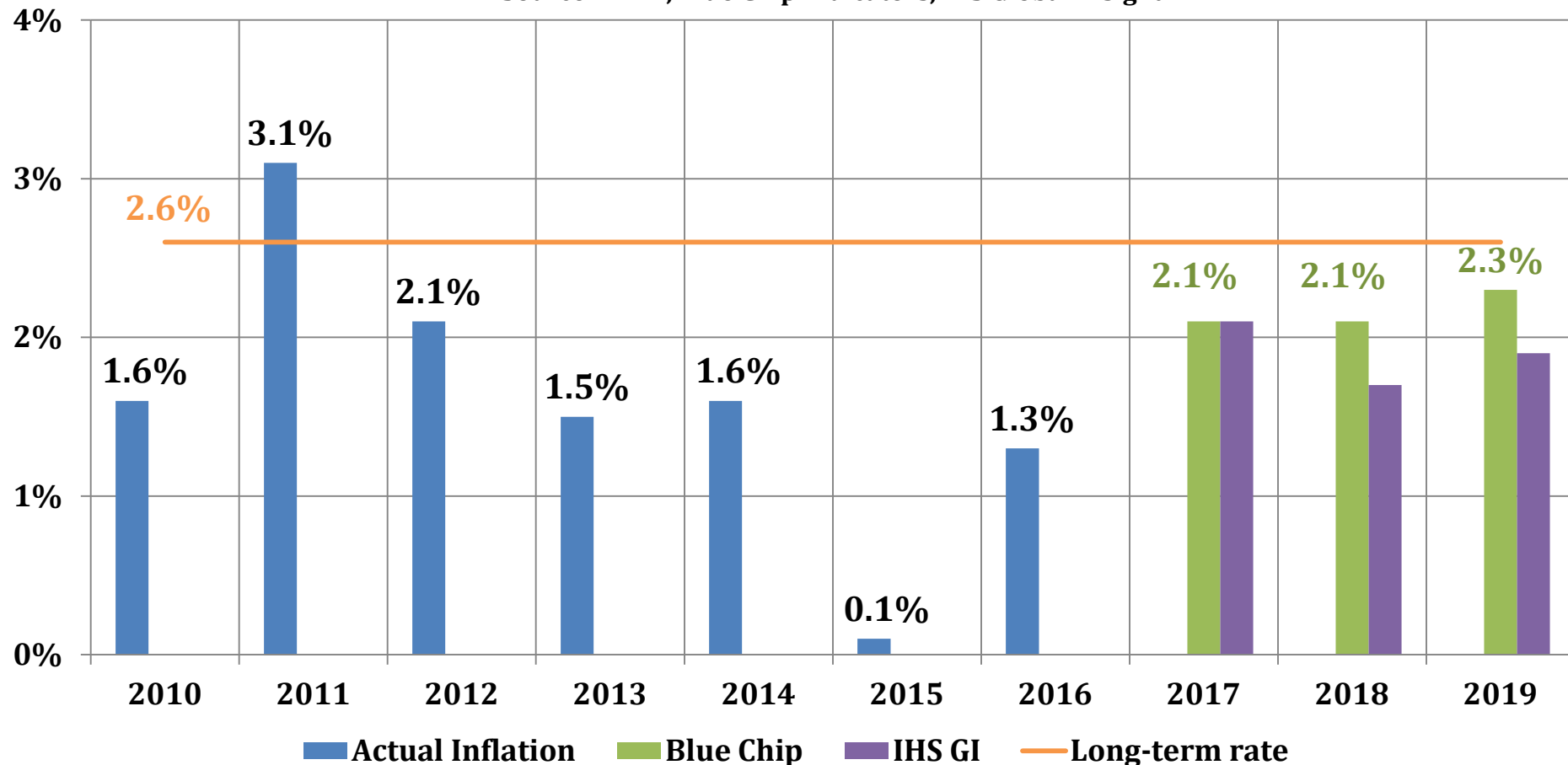
CPI Inflation is expected to be pretty stable



U.S. Inflation Growth

Actuals 2010-2016, Forecast 2017-2019, LR Rate 1986-2016

Source: FRED, Blue Chip Indicators, IHS Global Insight



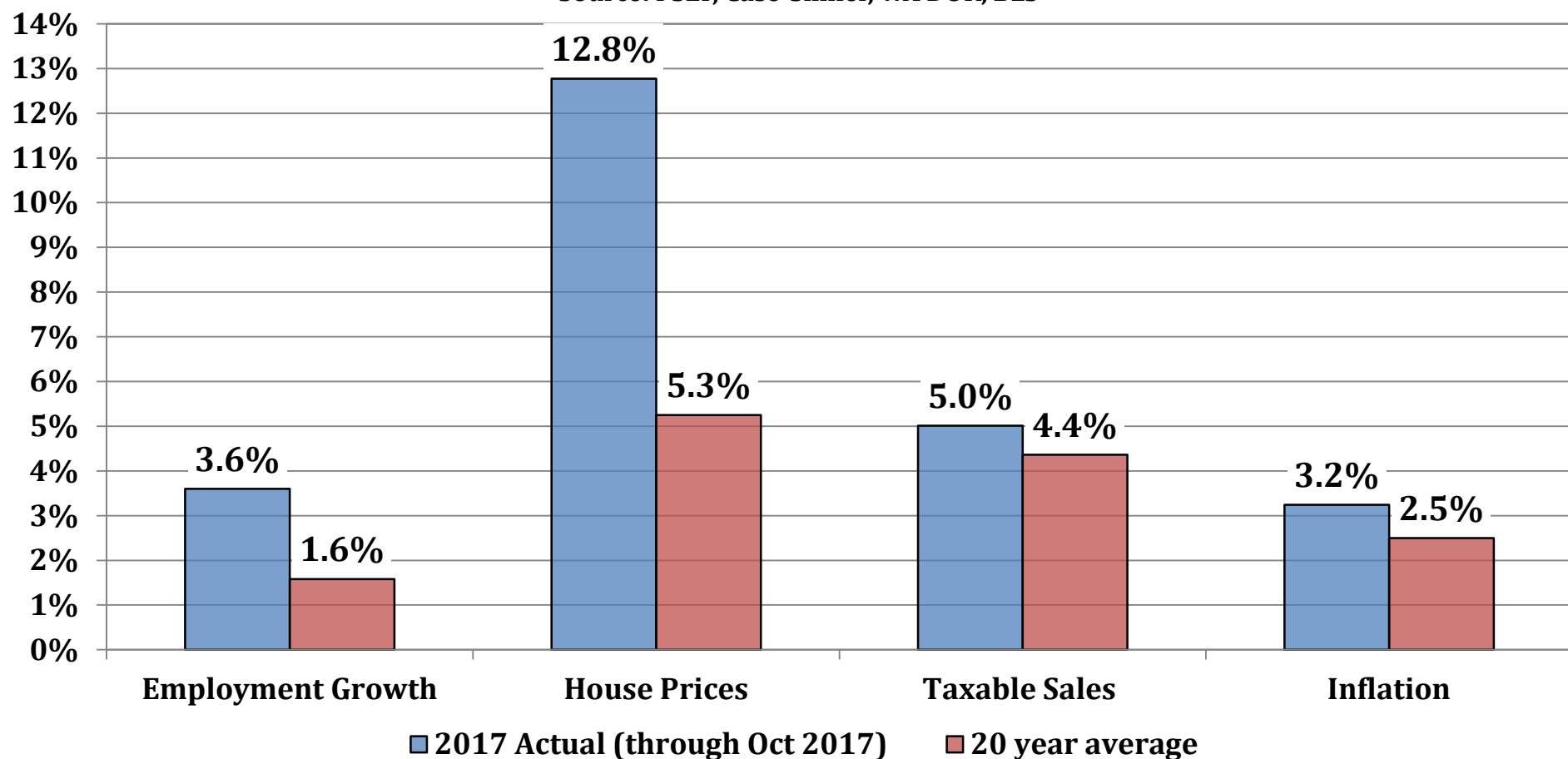
2017 was another year of growth for King County's economy



King County Economic Indicators

2017 actuals vs. 20 year average

Source: PSEF, Case-Shiller, WA DOR, BLS



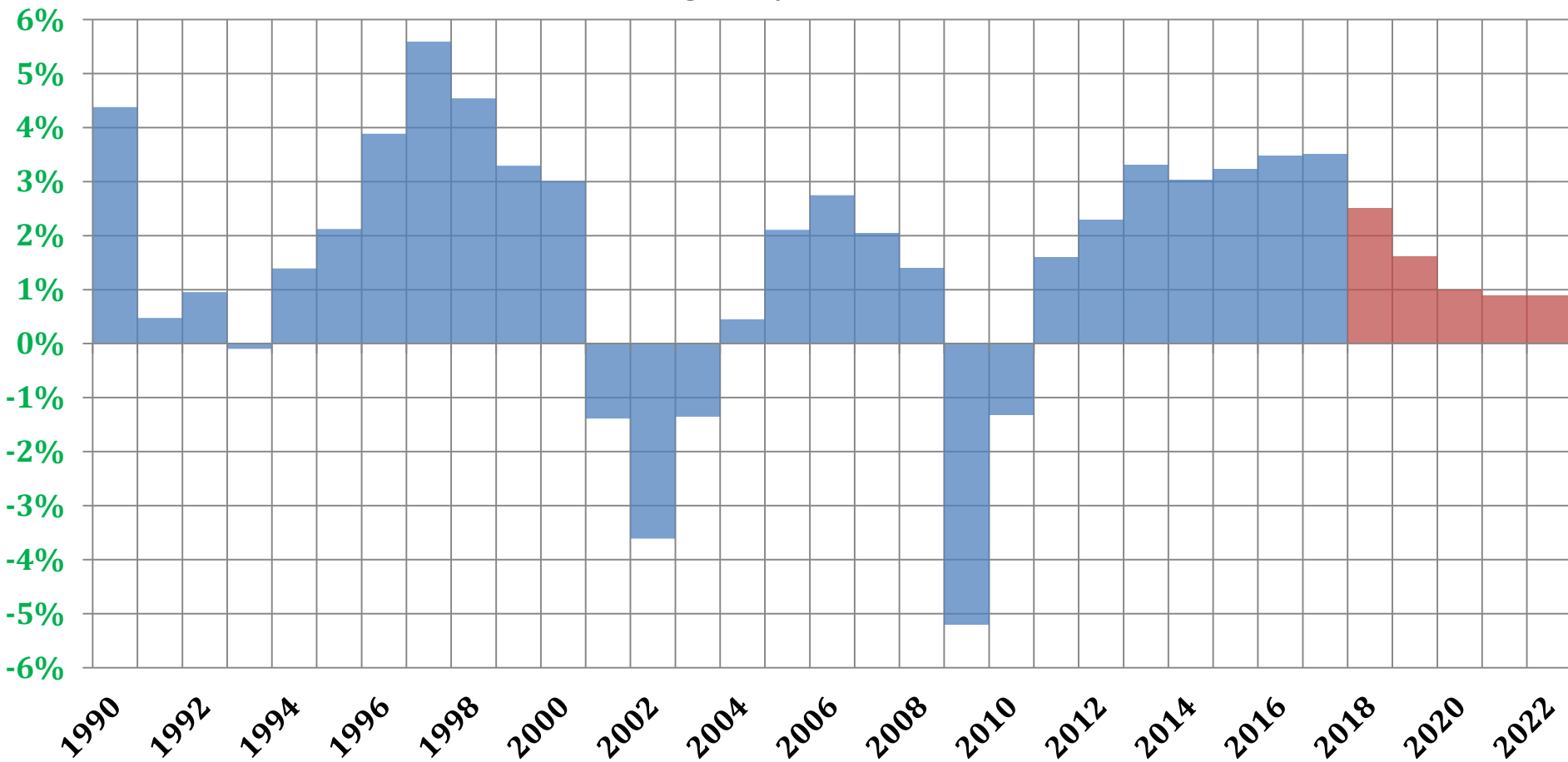
Local job growth for seventh straight year with more likely to come!



King County Annual Employment Growth

With Actuals and Forecast bars

Source: King County Forecast Model Q4 2017



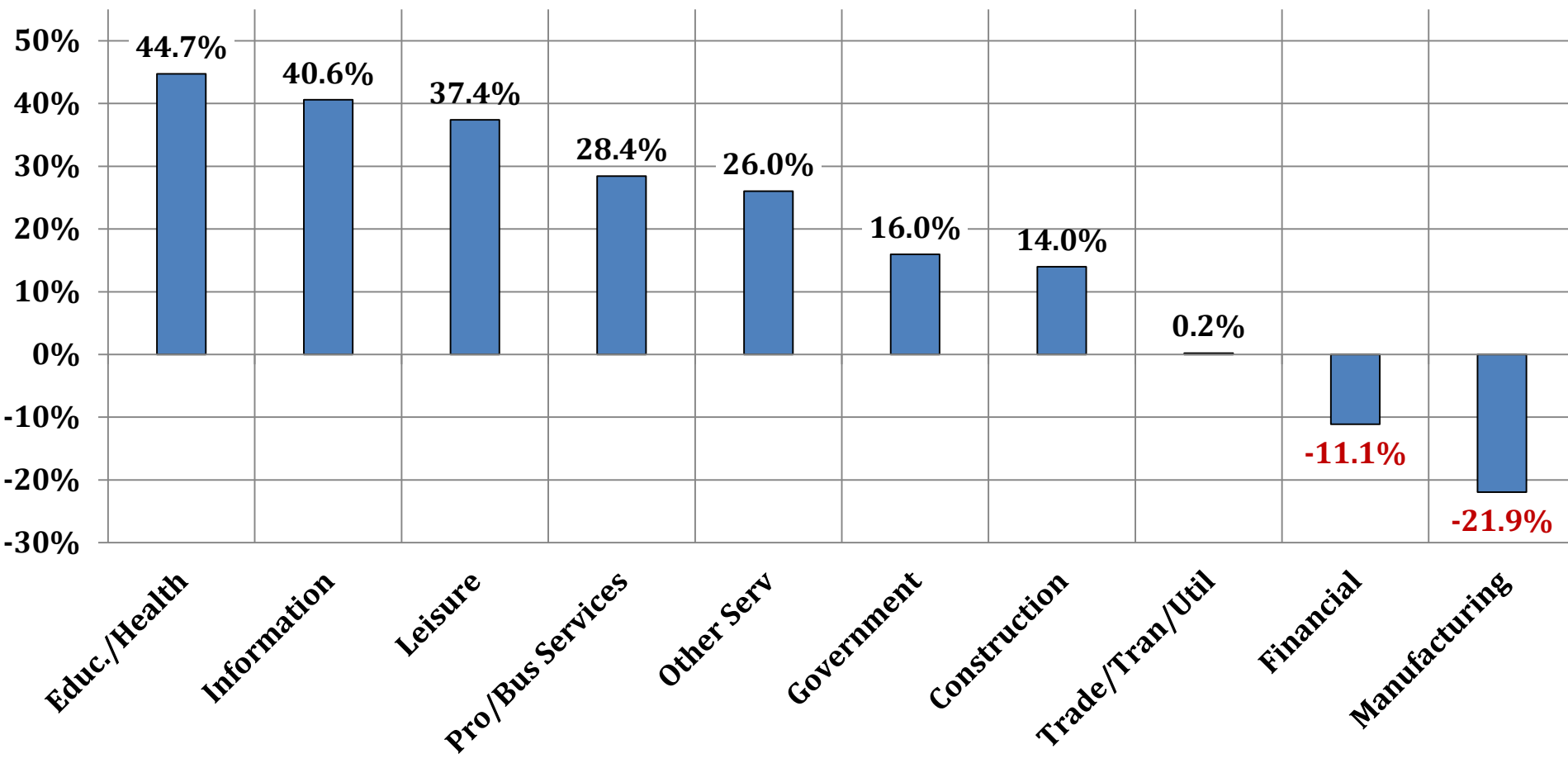
Employment growth by industry has been variable



Employment Growth by Sector

Total growth from 2000 to 2017

Source: WA ESD



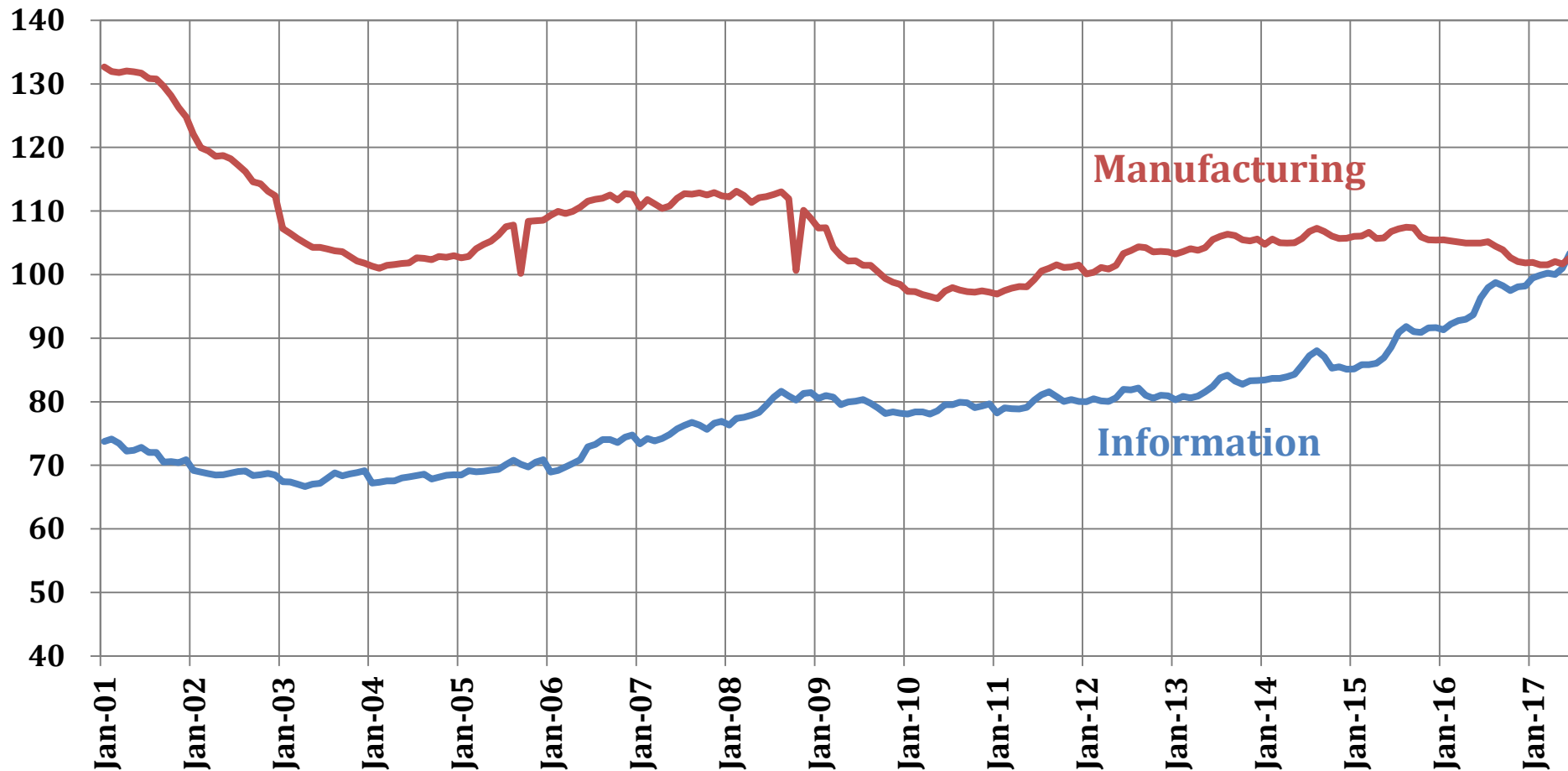
Information employment overtook manufacturing in King County in 2017



King County Manufacturing and Information Employment

Manufacturing and Information jobs in thousands

Source: Bureau of Labor Statistics



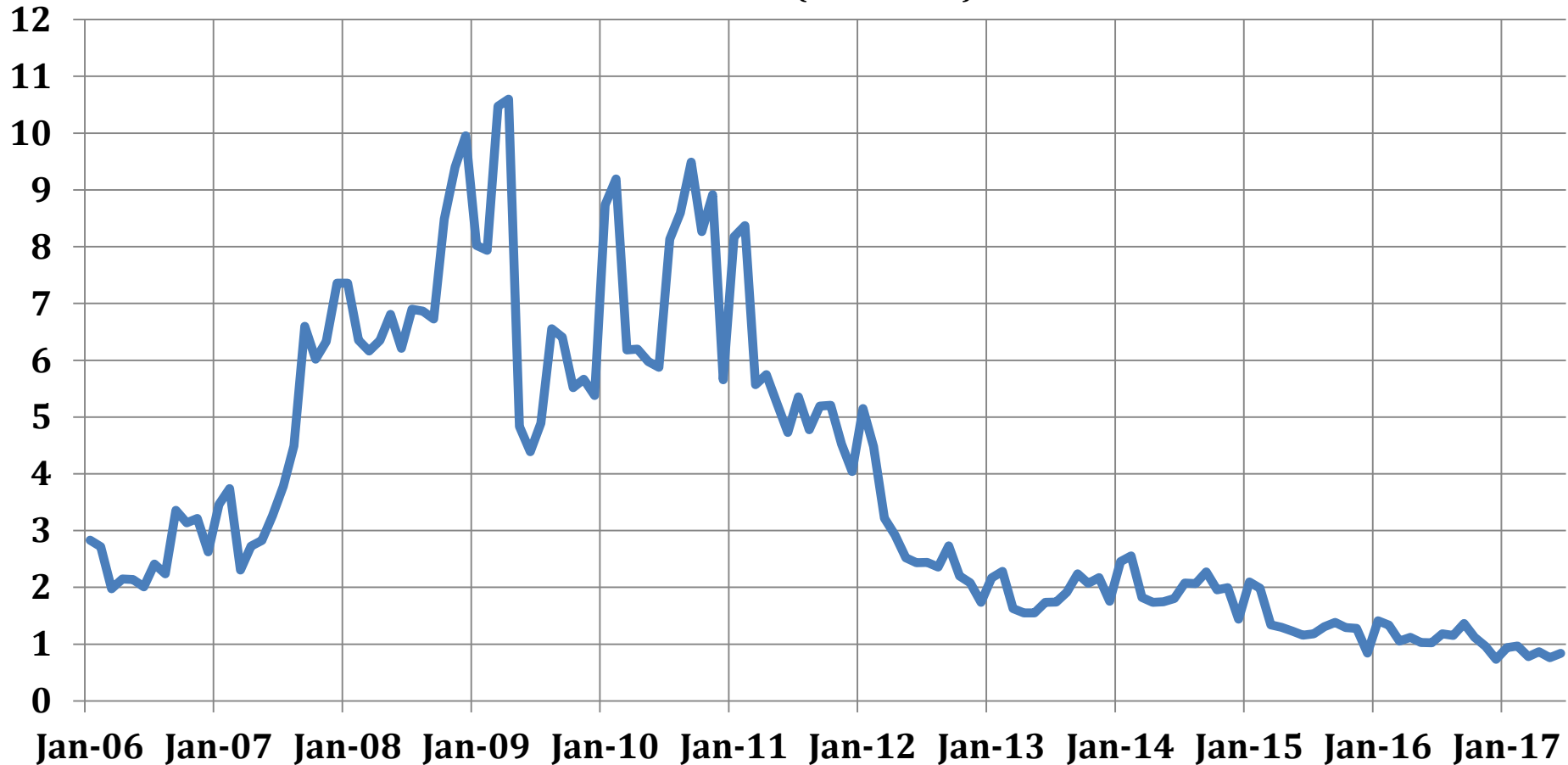
Home prices continue to rise in part due to few homes on the market



King County Real Estate Inventory

Inventory = Total Active Listings/Closed Sales

Source: NWMLS (SFH+Condos)



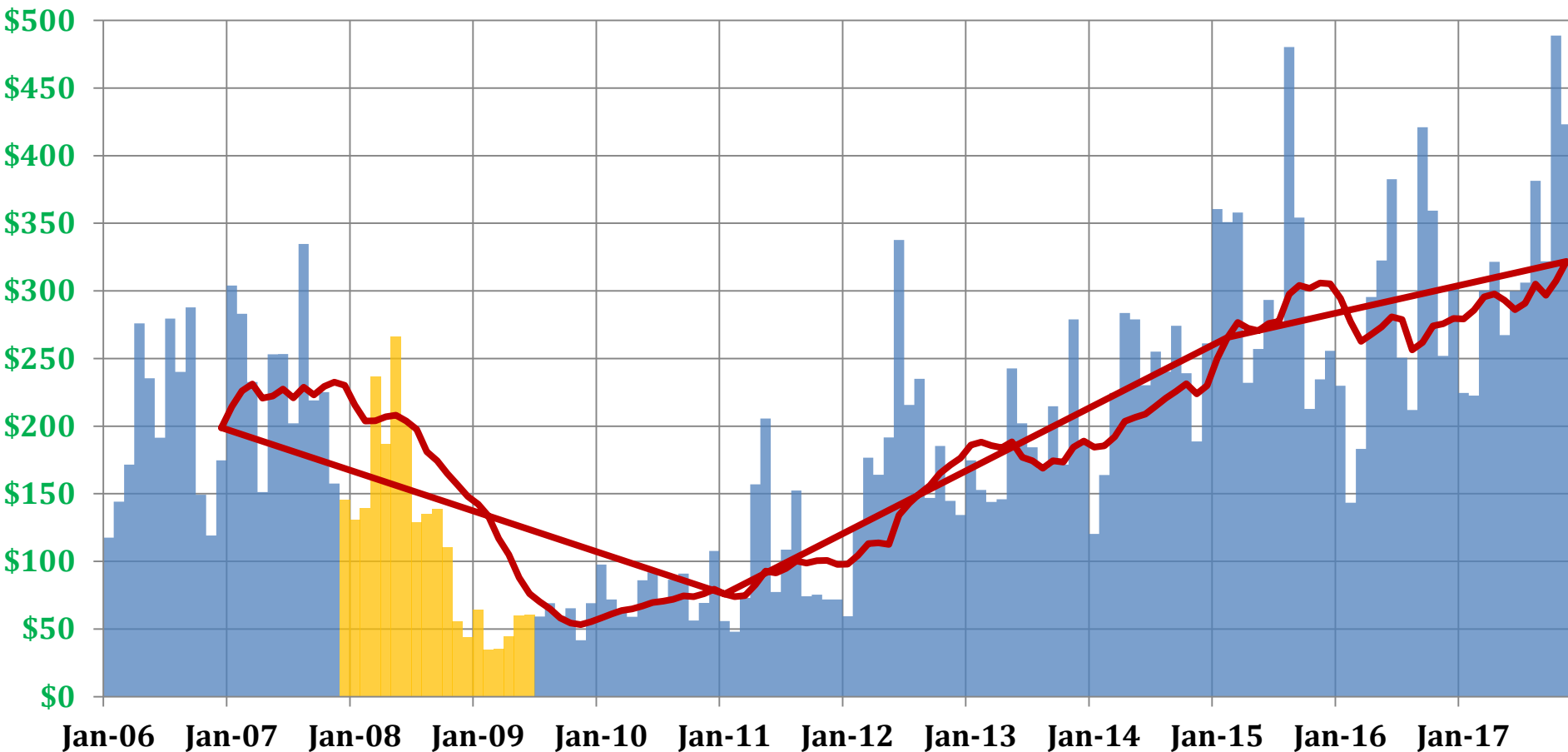
New permits increased in 2017 after slowing in 2016



King County New Privately Owned Permits

In millions \$, with recession bars and rolling annual average line

Source: Census Bureau



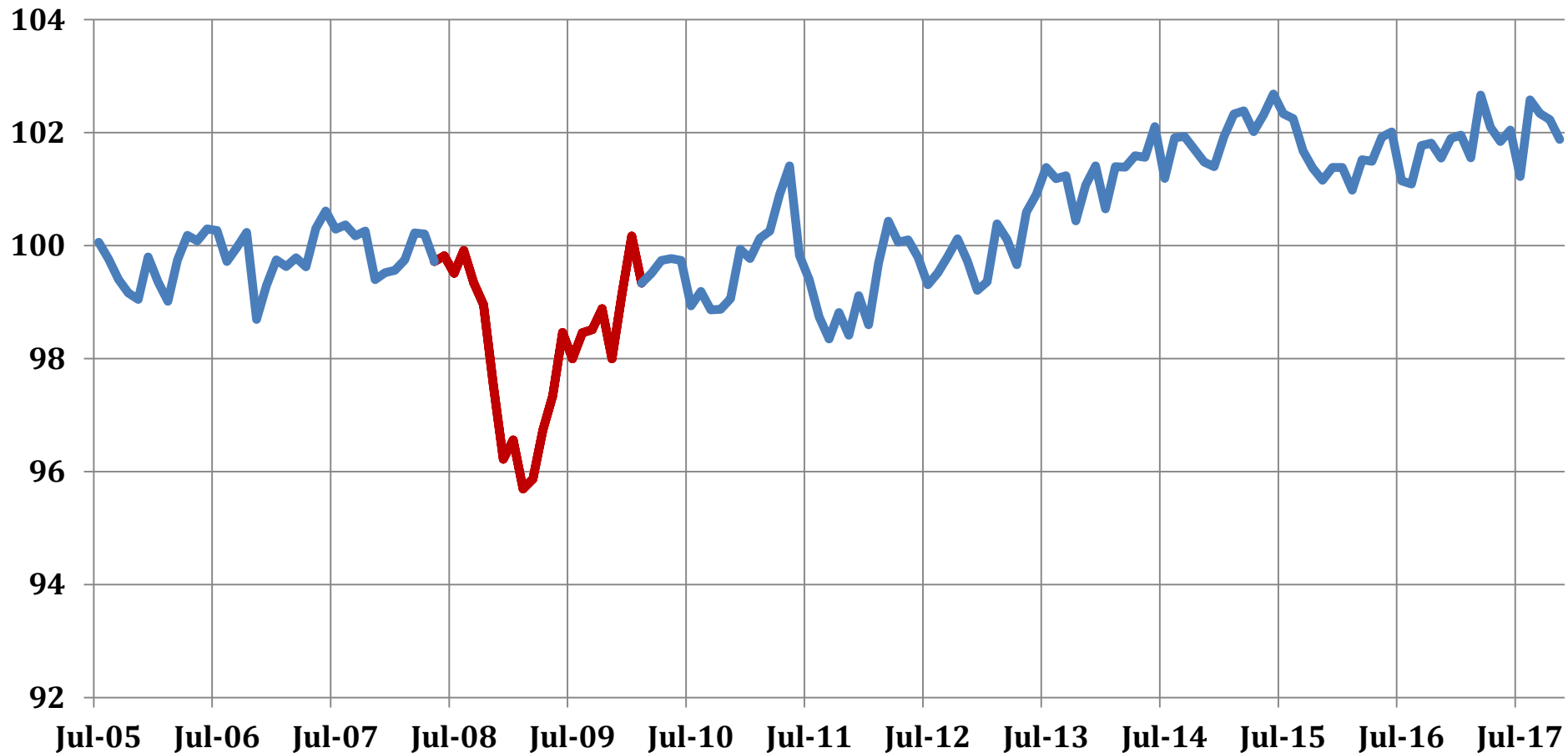
Local economic signals still solid



King County Index of Leading Indicators

July 2005=100, with economic contraction highlighted in red

Source: KC OEFA



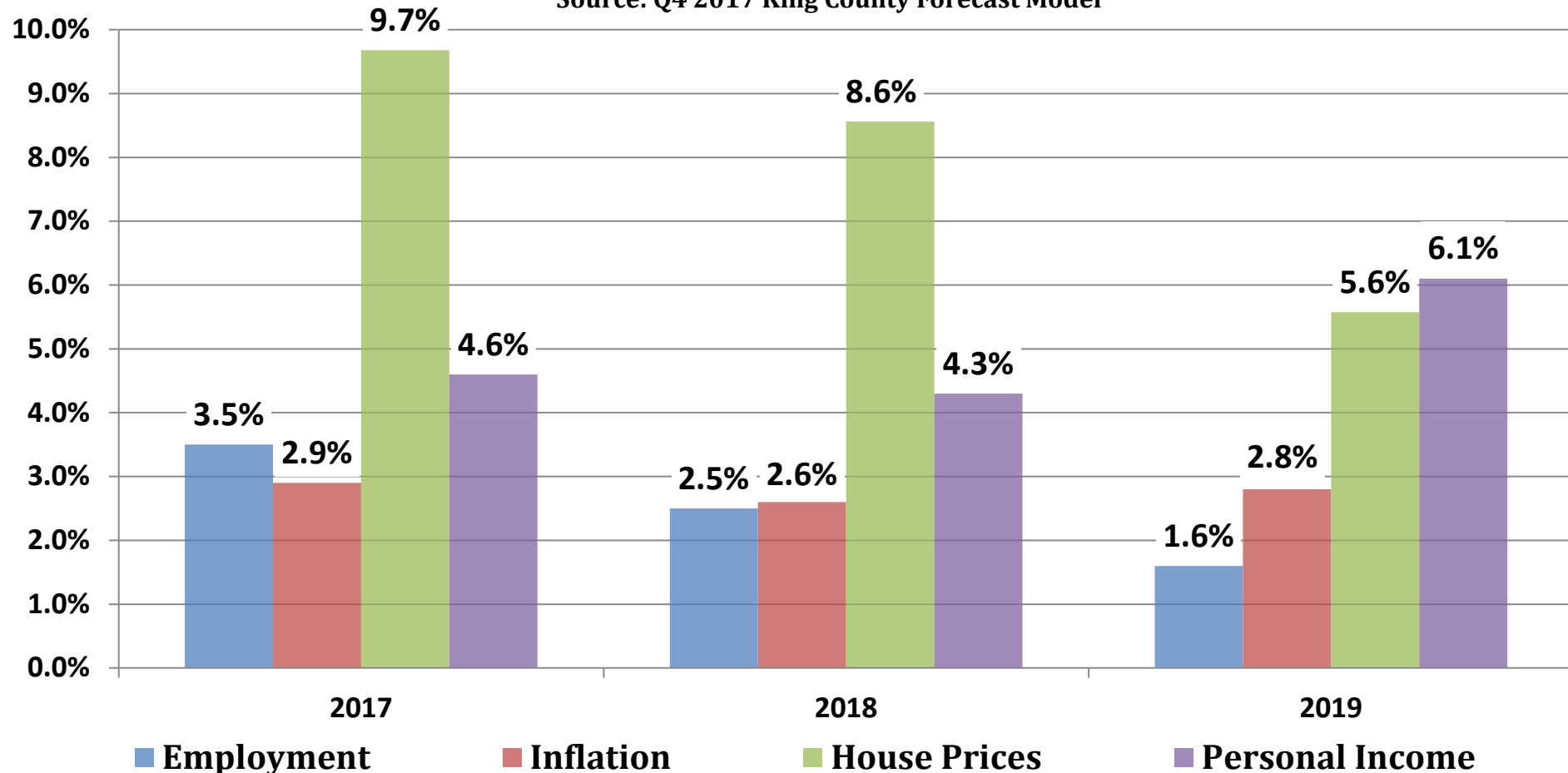
The KC forecast for 2018-2019 calls for growth but at a little slower pace



Employment, Inflation, Housing & Income

Actual 2017, Forecast 2018-2019

Source: Q4 2017 King County Forecast Model



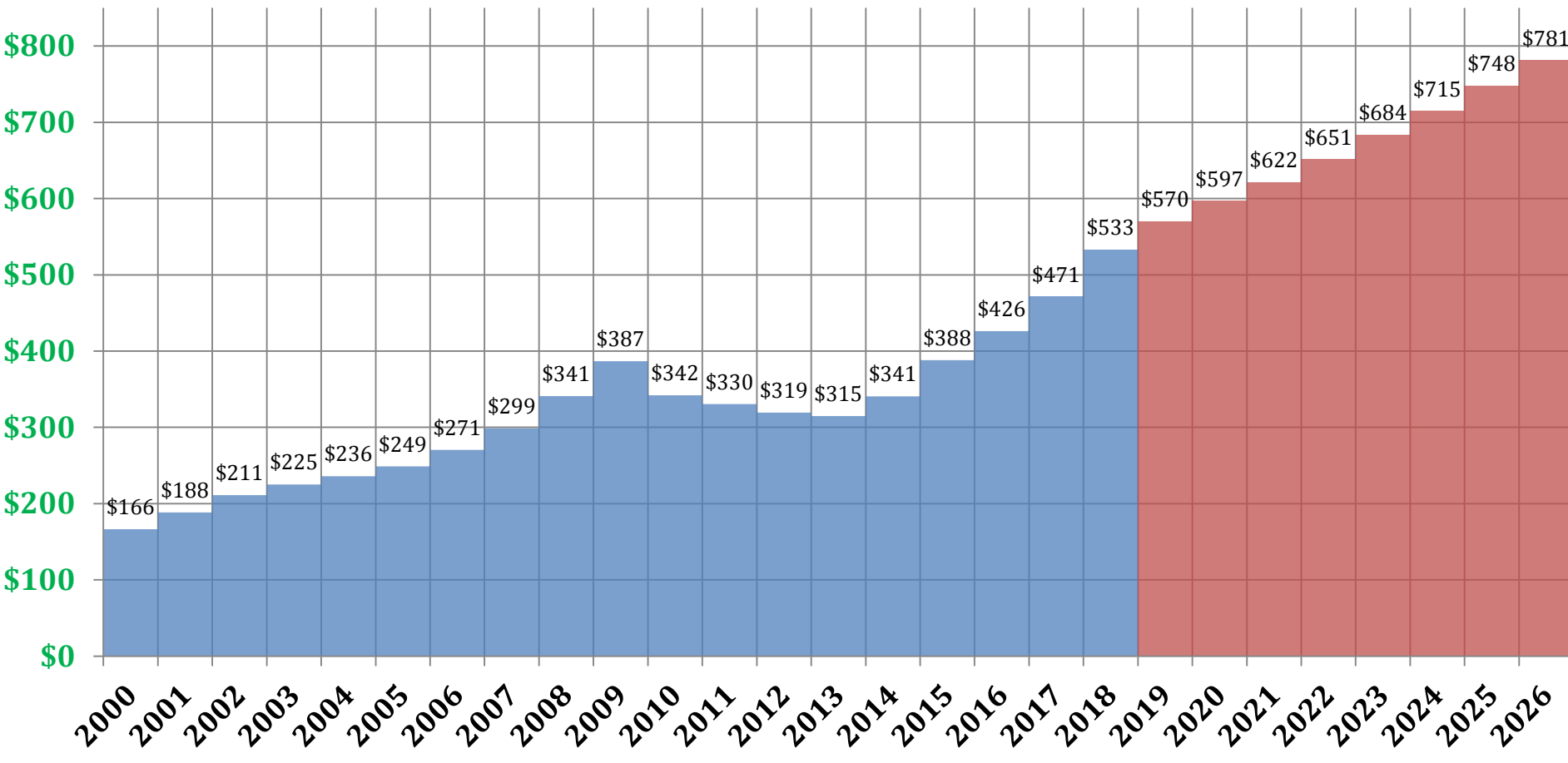
King County Assessed Value



King County Assessed Value

In billions \$, with Actuals and Forecast bars

Source: King County Department of Assessments



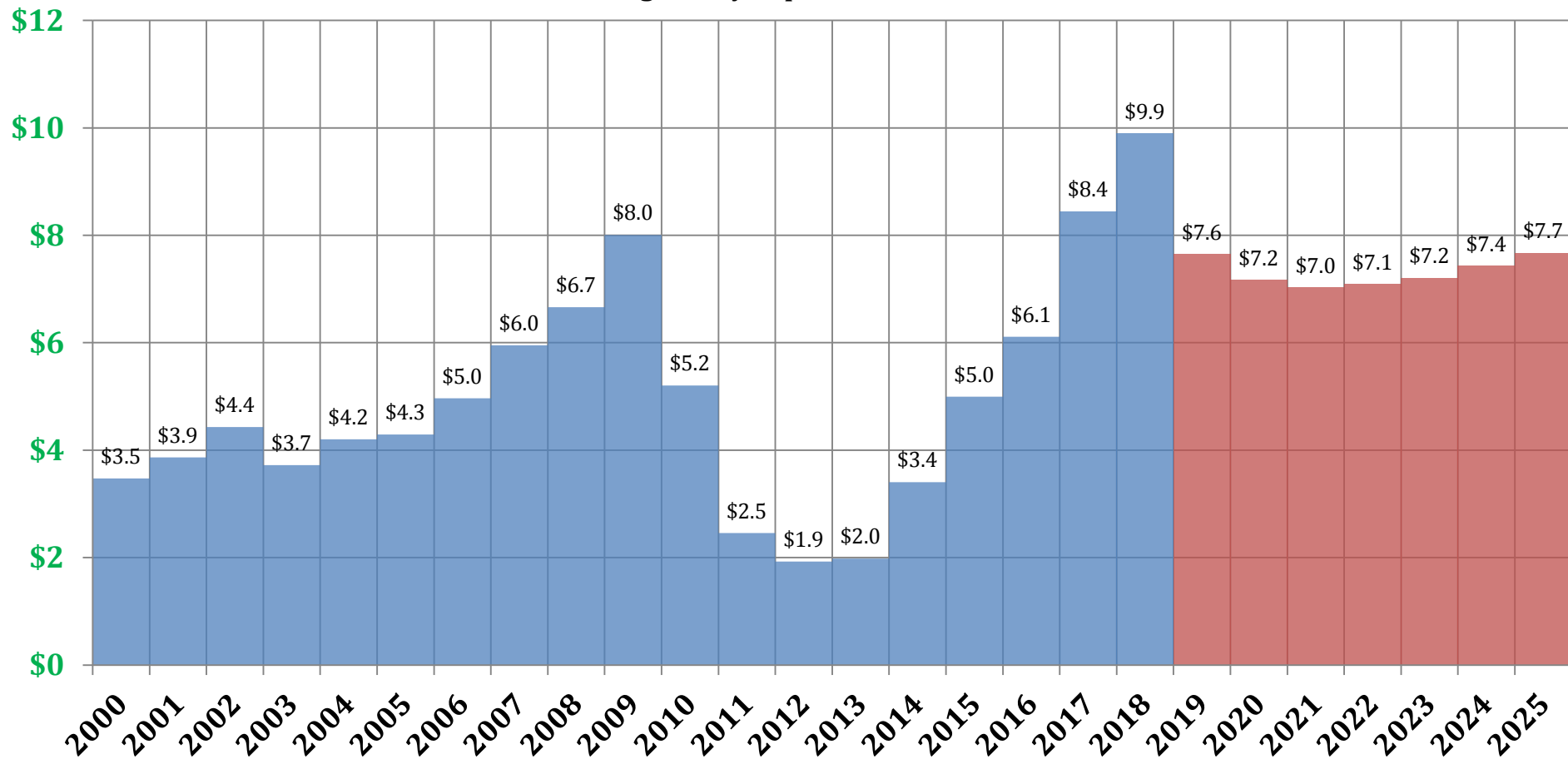
King County New Construction



King County New Construction

In billions \$, with Actuals and Forecast bars

Source: King County Department of Assessments



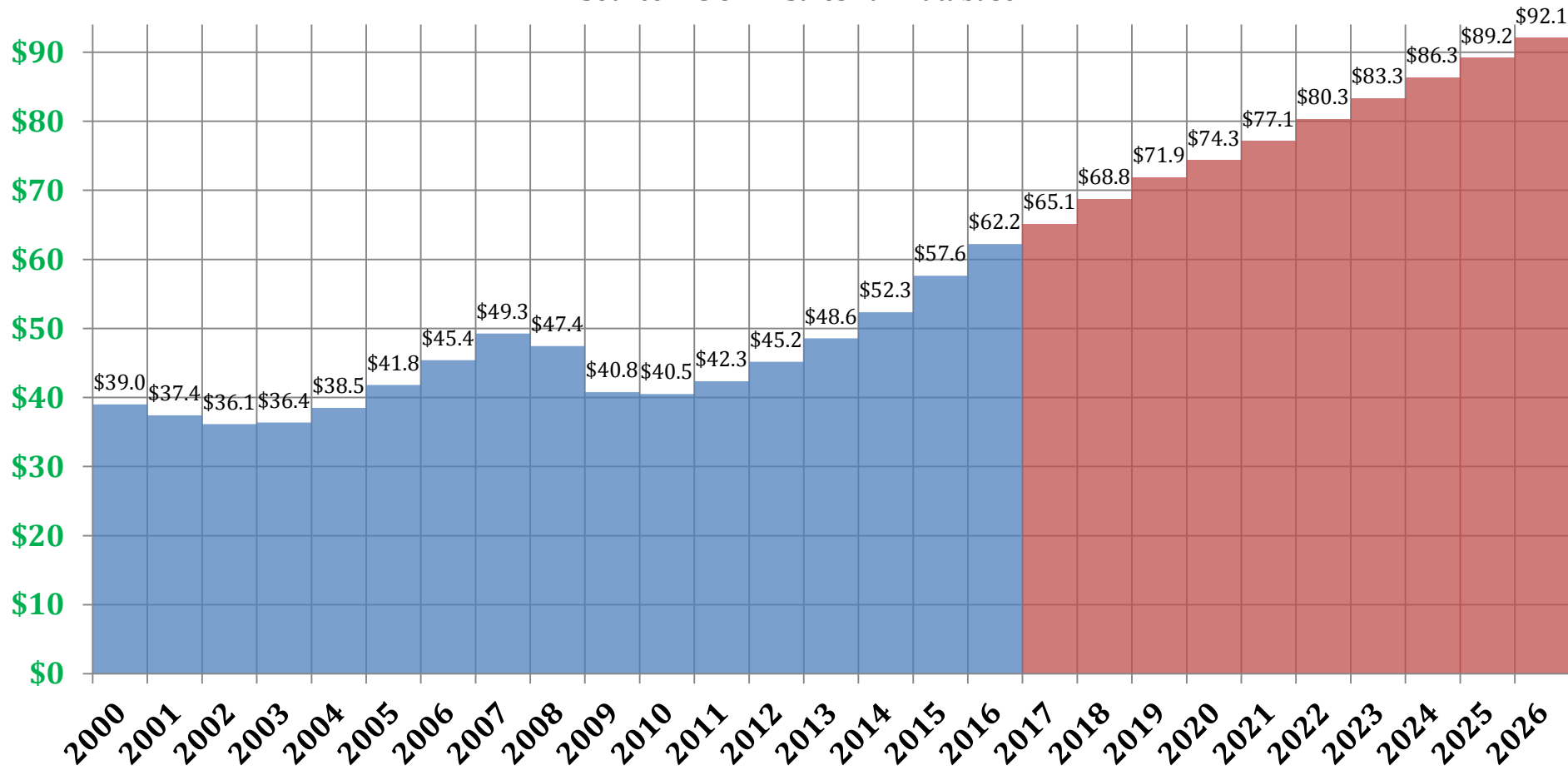
King County Taxable Sales



King County Sales Tax Taxbase

In billions \$, with Actuals and Forecast bars

Source: KC OEFA Sales Tax Database



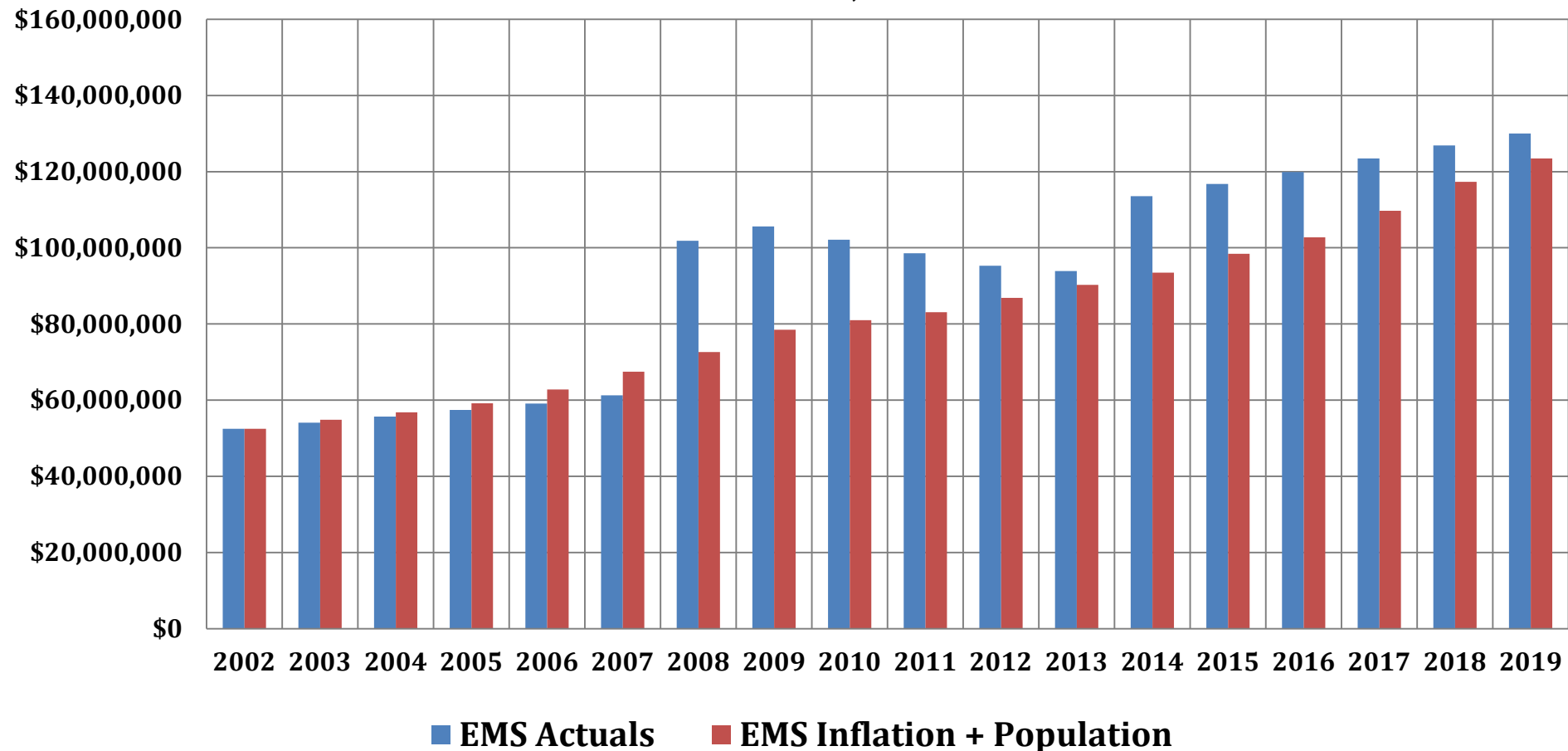
EMS Levy Amounts (Actuals vs. Inflation+Population)



EMS Levy Amounts (2002-2019)

EMS Actuals (2019 Forecast) & EMS Inflation + Population Estimates

Source: KC DOA, OEFA



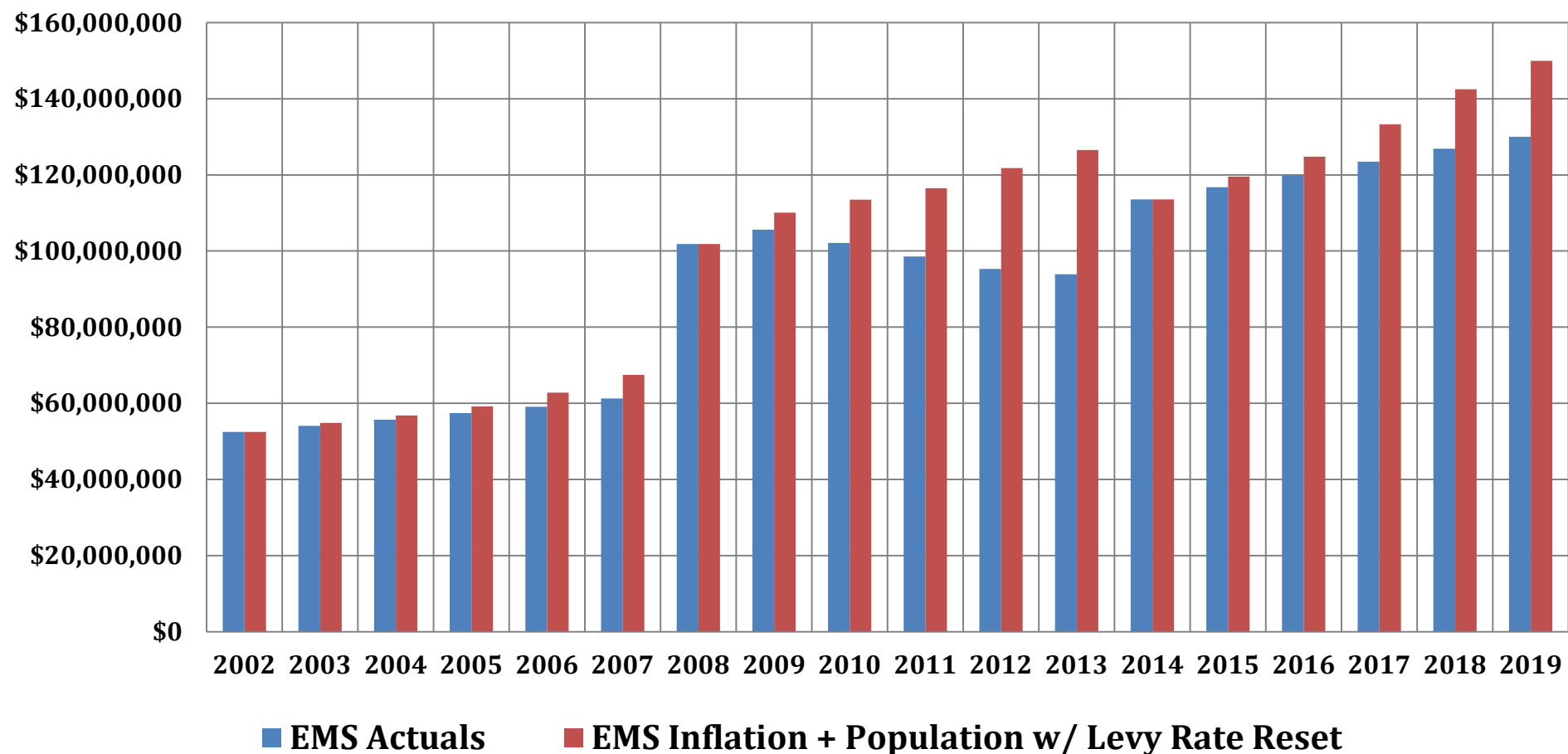
EMS Levy Amounts with Levy Reset each Levy Period



EMS Levy Amounts w/ Levy Rate Reset each Levy Period

EMS Actuals & EMS Inflation + Population with Levy Rate Reset

Source: KC DOA, OEFA



King County Office of Economic and Financial Analysis

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

EMERGENCY MEDICAL SERVICES LEVY

HISTORICAL INFORMATION

GENERAL:

- Typically funded by six year property tax levies (exception is 3-year levy after failed levy).
- Revenues split between City of Seattle and Balance of King County (King County EMS Fund) based on % of Assessed Valuation (AV) in each area.
- Due to timing related to economic downturn, focus of 2014-2019 levy was on continuing existing services; some funds added for initiatives and CMT pilots.

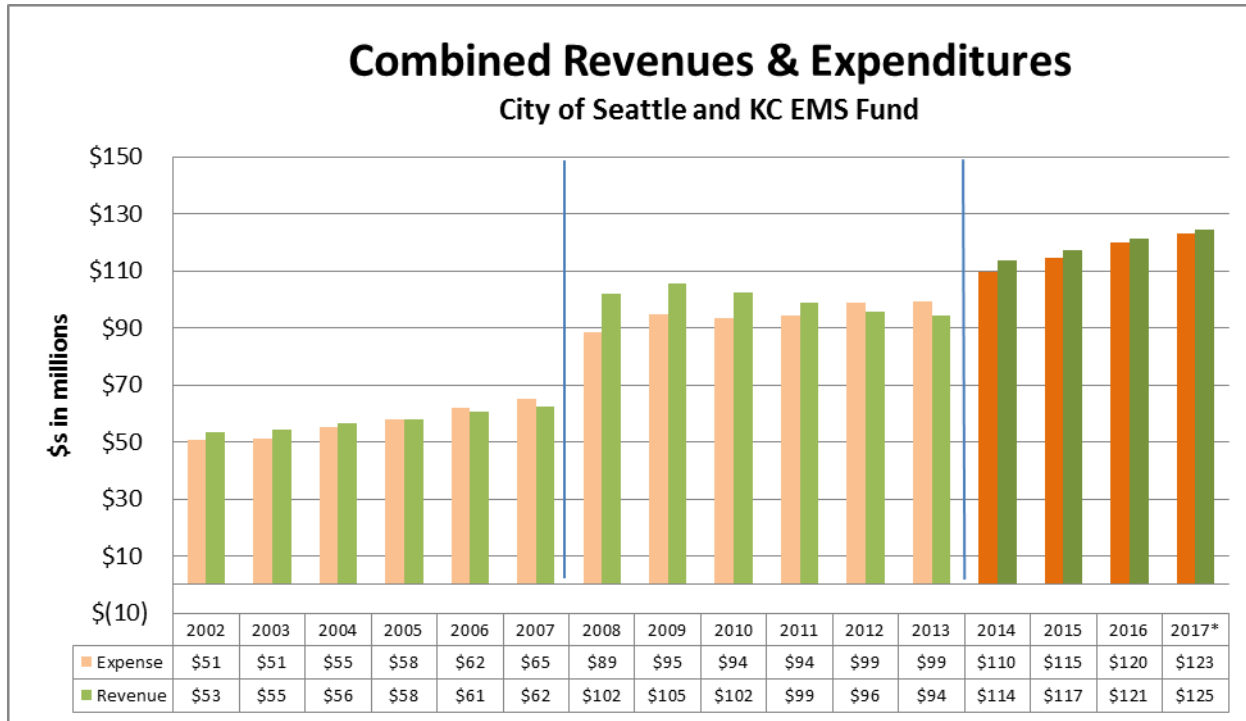
EMS LEVY Funds four main programs:

- Advanced Life Support (ALS) – primarily purpose of levy; full funding of eligible costs
- Basic Life Support (BLS) – partial support of BLS agencies specifically acknowledging the role of BLS as first responders on ALS calls.
- Regional Services (RS) – provide services and support for the regional system
- Strategic Initiatives (SI) – new and/or pilot projects focused on patient care, reducing demand, and efficiencies. Includes Mobile Integrated Healthcare (MIH): pilot Community Medical Technicians (CMT) units and alternatives to CMT pilots.

EMS LEVY Reserves:

- No reserves were included in levies prior to 2008 which did not commit to fully funding ALS.
- EMS Levy Task Force recommended inclusion of contingencies and reserves in the 2008-2013 levy; categories were changed in 2009 based on recommendations of King County Auditor (including review and recommendation by EMS Advisory Committee),
- Reviewed/revised as part of 2014-2019 levy process. 2017 Update included recategorizing and expanded to meet updated King County Financial Policies. Update included moving some reserves to contingencies, moving other reserves into KC categories and fully funding 90-day rainy day reserve.
- Access to reserves and contingencies requires review by EMSAC Financial, recommendation by EMSAC and appropriation by King County Council .

Historical Expenditures and Revenues



**Note: all 2017 numbers are preliminary or forecast as year-end is not closed. Presentation does not include Center for Evaluation of EMS (CEEMS) Grants or entrepreneurial projects.*

Trends/Notes:

- Revenues typically banked in first years of levy period to cover expenditures later in the levy period; not unusual for expenditures to exceed revenues in last year of levy period.
 - Examples: 2006, 2007, 2012, 2013, forecast for 2018 & 2019
- Increased expenditures in new levy periods based on decisions made in the levy planning process; sometimes takes a couple of years to show in expenditure levels
- Revenues in 2008 & 2009 exceed original financial plan; the plan did include revenues to cover establishment of contingencies and reserves

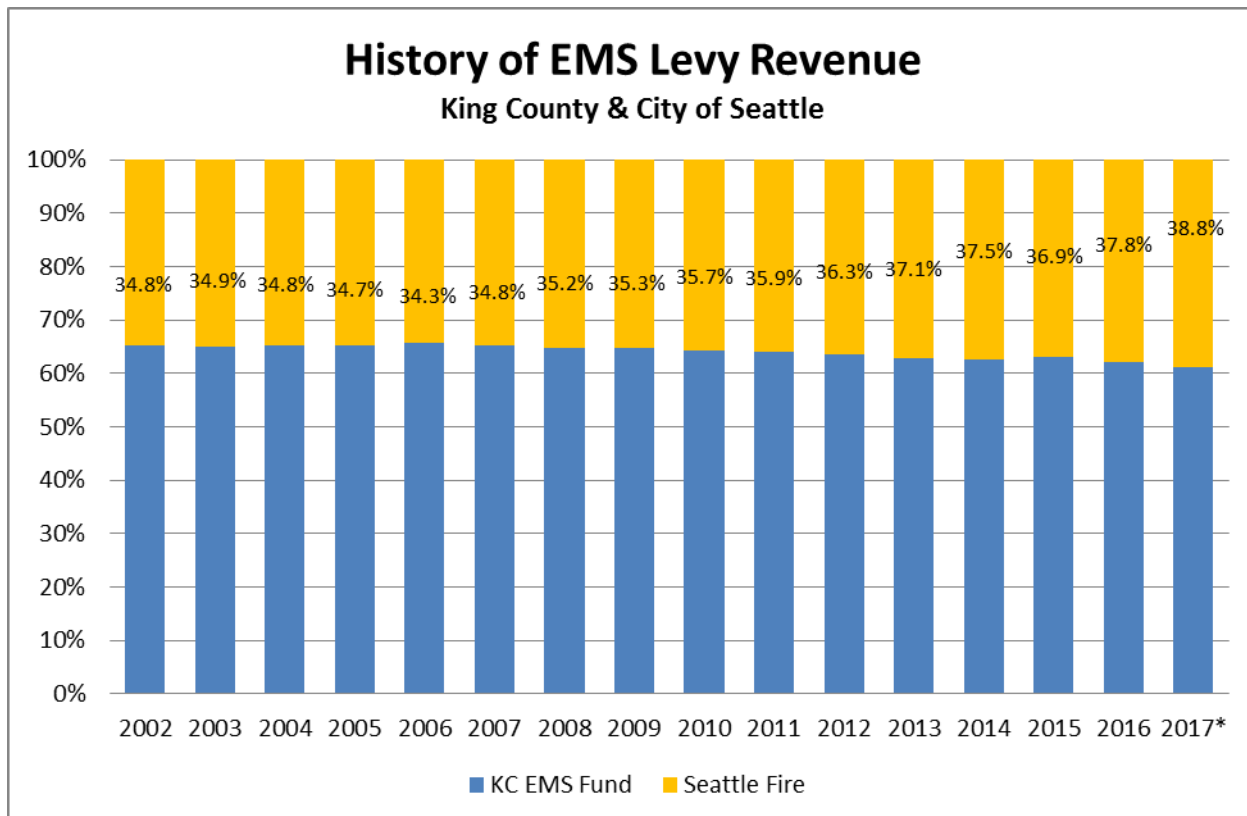
REVENUES

Distribution of Levy Revenue

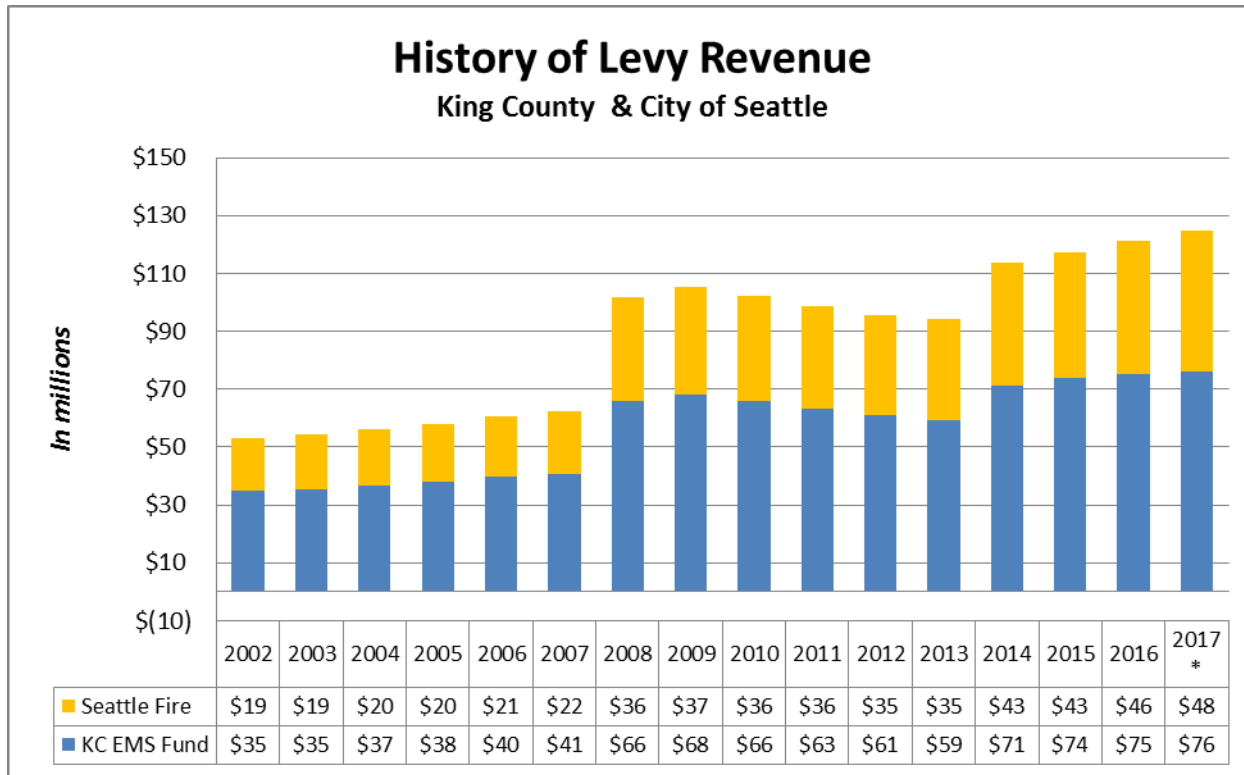
- Revenue distributed proportionally to City of Seattle and King County EMS Fund based on assessed valuations.
- As a King County property tax fund, the KC EMS Fund also receives interest income and other taxes/fees such as leasehold and timber taxes (for this report called “Other Revenues”). Through 2008, the KC EMS Fund also received a small amount of KC general fund.

Revenue Trends

Property Tax percentage to City of Seattle has been increasing – from 34.8% in 2002 to 39% in 2017. During economic downturn AVs in Seattle decreased less than the rest of King County. During the recovery and upturn AVs in Seattle have grown more than the rest of King County.



REVENUE GROWTH



*2017 is preliminary year-end numbers

Balance of King County – Revenue Split with Other Revenues

Due to other factors, including lowered interest rates, the % of the King County Fund revenues received outside of property taxes has decreased. These are the revenues, such as interest income, leasehold and timber taxes, that are distributed proportionately to all property taxes funds at King County. The following chart shows property tax % of KC EMS Levy fund revenues:

	Property Tax % of total Revenue*
2002-2007	96.7%
2008-2013%	98.6%
2014-2017%	98.8%

**Does not include entrepreneurial or grants revenues; does include revenues received due to being a property tax fund in King County.*

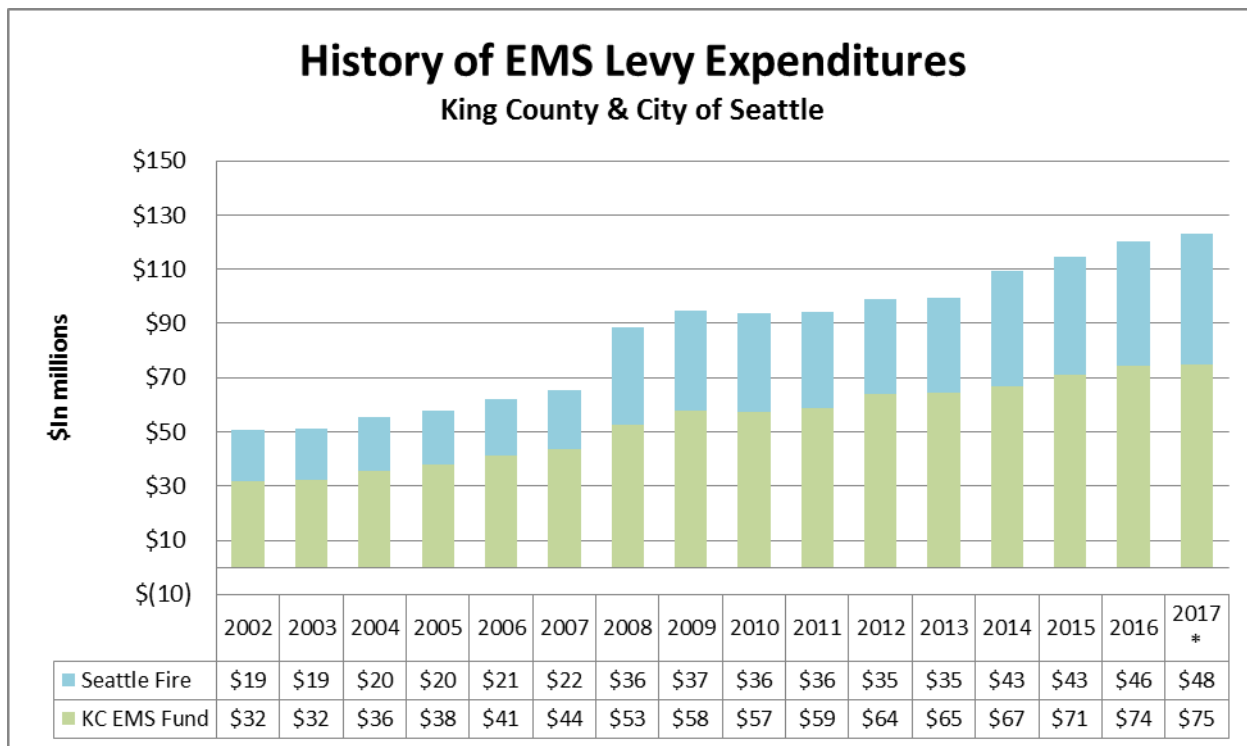
EXPENDITURES

City of Seattle funds two programs:

- Advanced Life Support (ALS) – primarily purpose of levy; full funding
- Basic Life Support (BLS) – partial support of BLS

EMS LEVY Funds four main programs:

- Advanced Life Support (ALS) – primarily purpose of levy; full funding of eligible costs
- Basic Life Support (BLS) – partial support of BLS agencies
- Regional Services (RS) – provide services and support for the regional system
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 - Mobile Integrated Healthcare (MIH) Includes pilot Community Medical Technicians (CMT) units and alternatives to CMT

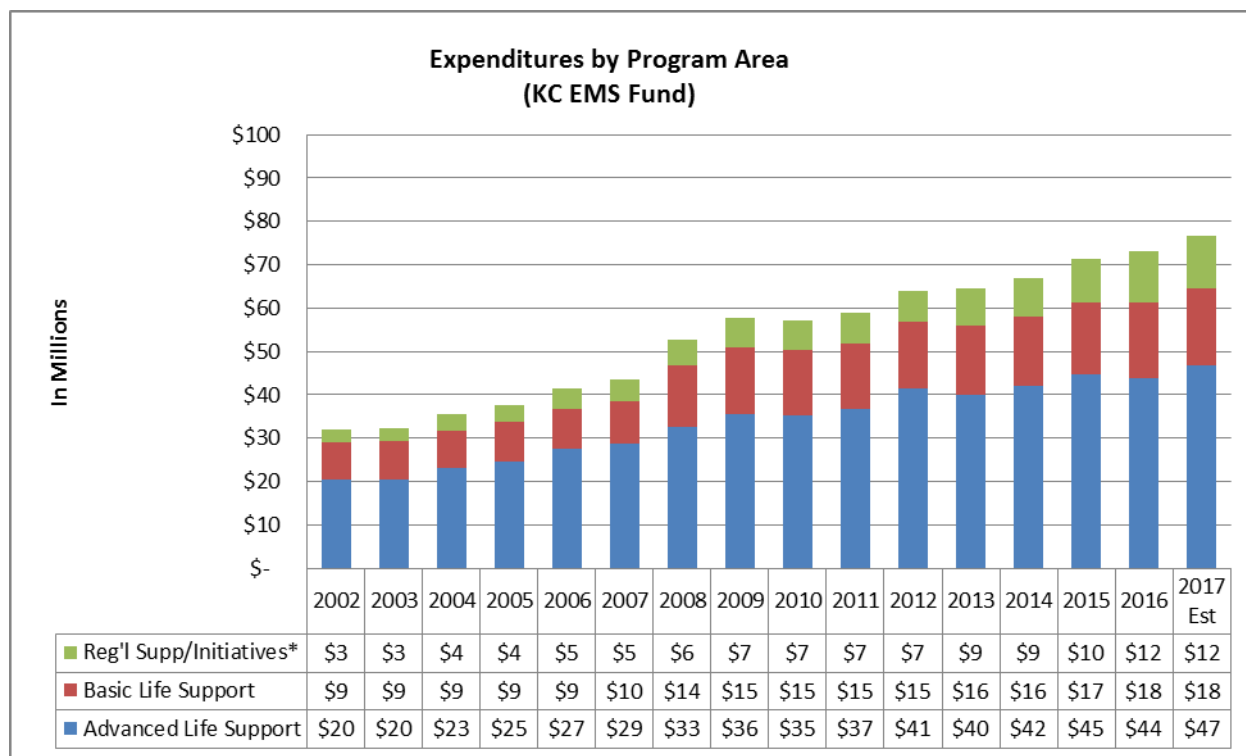


King County EMS LEVY Funds by areas:

- Advanced Life Support (ALS) – primarily purpose of levy; full funding of eligible costs
- Basic Life Support (BLS) – partial support of BLS agencies
- Regional Services (RS) – provide services and support for the regional system
- Strategic Initiatives (SI) – new and/or pilot projects focused on patient care, reducing demand, and efficiencies
 - Mobile Integrated Health (MIH) Includes pilot Community Medical Technicians (CMT) units and alternatives to CMT

Funding Info/Basics:

- ALS, BLS, and Regional Services funding based on an allocation that is increased by economic inflators each year (RSS/BLSS CPI-W+1%; ALS is compound inflator).
- Strategic Initiative projects provided lifetime budgets with ability to adjust timing to accommodate schedules and cash flow requirements of projects

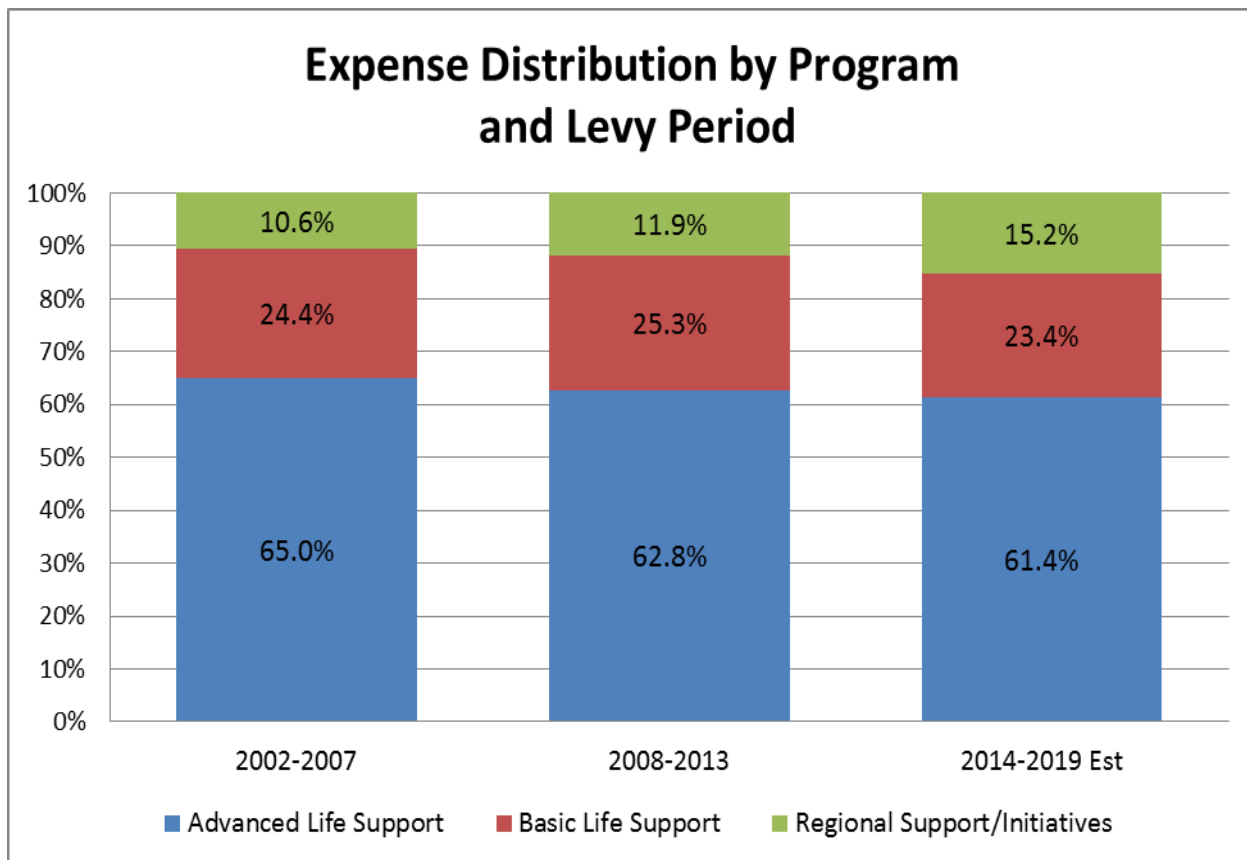


**Includes Regional Support, Strategic Initiatives, Rgl CMT Units (MIH) and audits*

Distribution of Expenses Across Levy Periods (KC Levy Fund)

Distribution of funding in levy periods has varied based on actual ALS costs and other decisions.

- The 2008-2013 levy included new Strategic Initiatives and the expansion of the Regional Medical QI section plus initial Community Medical Technician Pilots. There was also a significant increase in the BLS Allocation (67% increase).
- The 2014-2019 levy included additional of BLS Core Services, expansion of regional initiatives (including record management system) and the addition of Community Medical Technician Units.



RESERVES

Use of Reserves & Contingencies

Ability to use reserves based on meeting criteria, recommendation of Financial Subcommittee of EMS Advisory Committee, recommendation of EMS Advisory Committee, and appropriation from King County Council.

- Use of reserves in 2003-2013 levy related to individual ALS agency needs and adjustments to portions of the ALS allocations.
- Use of reserves in 2014-2019 levy included individual agency needs and adjustments to the ALS allocation and a supplement for Regional Services.

RESERVES	2008-2013	2014-2019 Est
ALS Equipment		
Power Load Systems (all)		\$ 797,885
Vehicle/Chassis Costs	\$ 591,132	
ALS Facility/Capacity Reserves		
Medic Unit Facility Costs	\$ 250,000	
Call Volume Reserve (addt'l service)**	\$ 215,707	\$ 360,000
ALS/RS Operating Reserve		
Increased Diesel/Fuel Costs	\$ 171,903	
Salary/COLA Costs*	\$ 336,542	
Excess Paid Time Off/PTO		\$ 483,430
Paramedic Student costs/allocation	\$ 261,882	\$ 1,732,565
Extra Paramedic Students		\$ 255,599
Dispatch for KCM1	\$ 702,961	\$ 461,205
ALS Mid-Levy Allocation Adjustment		\$ 8,364,107
Indirect/Central Rates - Regn'l Svcs		\$ 3,577,733
ALS Risk Abatement Reserve		
ALS FLSA Settlements		\$ 1,020,136
ALS Retirement Liabilities	\$ 3,308,454	
Subtotal	\$ 5,838,581	\$ 17,052,659
DESIGNATIONS (from 2002-2007 levy)*		
Facility Tenant Improvements	\$ 340,914	
Dispatch	\$ 258,018	
Supplement BLS Allocation		\$ 219,144
Supplement BLS Core Services		\$ 11,698
Subtotal	\$ 598,932	\$ 230,842
TOTAL	\$ 6,437,513	\$ 17,283,501

* One time allowed in 2011 before changes in 2012

** Includes extra services for KCM1 M15 in 2003 and Sammamish Plateau in 2017

***No funds remain in this designation

12/6/2017

	Proposed	Previous	2019 \$s
EXPENDITURE			
<u>Contingencies¹</u>			
ALS Contingencies (limited access for RSS)	ALS Operational Reserve		\$ 981,900

Expenditure Reserves²

Rainy Day Reserves³

Rate Stabilization Reserve⁴

Rate Stabilization Reserve (prev Millage)	\$ 1,167,612
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¹These will be listed in the Expenditure portion of the EMS Financial Plan and will retain the same guidelines and protocols for use as the former reserve category (review thru EMSAC Financial and EMSAC).

² Includes current program balances and KCM1 Equipment Reserves of \$9,082,526; proposal is to leave Program Balances in reserves in 2019 and transition them to expense lines associated with ALS & RSS for the new levy.

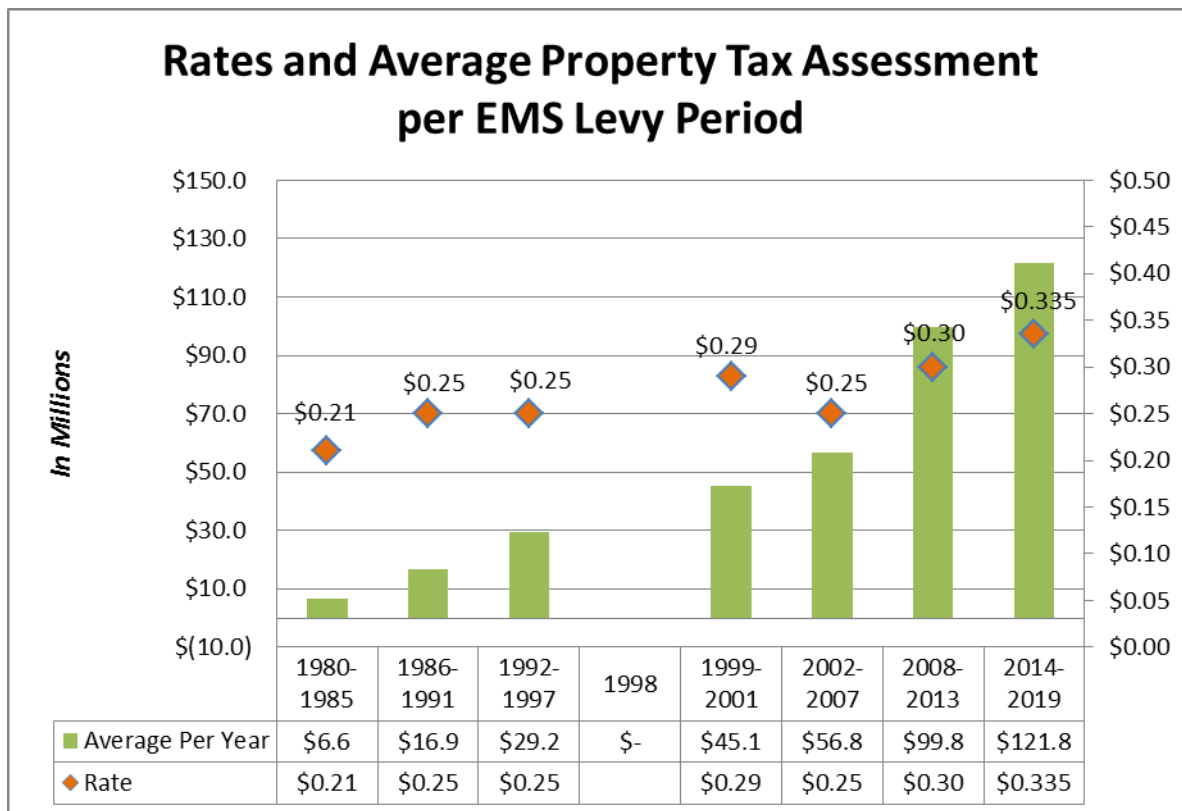
³ Full 90 day reserve = \$19,052,010; currently have fund available for 90 days.

⁴ Funds above 90 day Rainy Day Reserve can be placed in Rate Stabilization Reserve; current funding of \$5,114,510 moved to Rainy Day Reserve

LEVY RATE

Typically funded by six year property tax levies:

- First levy passed in 1979
 - 1980-1985 @ \$0.21/\$1,000 AV
 - 1986-1991 @ \$0.25/\$1,000 AV
 - 1992-1997 @ \$0.25/\$1,000 AV
 - 1998-2003 @ proposed \$0.29/\$1,000 AV (failed)
 - 1999-2001 @ \$0.29/\$1,000 AV
 - 2002-2007 @ \$0.25/\$1,000 AV
 - 2008-2013 @ \$0.30/\$1,000 AV
 - 2014-2019 @ \$0.335/\$1,000 AV



Entire Levy (including funds to City of Seattle and KC EMS Fund)