City Council Workshop Agenda
July 23, 2024 at 6:30 PM
City Hall Council Chambers - 210 W 6th Ave and Virtual

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Written public comment is accepted pursuant to KMC 2.04.047.

1. Call to Order
2. Kennewick Fire: Ambulance Cost of Service Study
3. Development Fees and Revenue Options
4. Adjourn

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Council Agenda Coversheet	Item Number:	2.	Date:	7/23/2024	Category: Info Only Policy Review
	Item Type:	Presentation			
	Subject:	Kennewick Fire: Ambulance Cost of Service Study			
	Department:	Fire Department			

Summary

RCW 35.21.766 requires that cities operating an ambulance utility complete a cost of service study to determine the total cost necessary to regulate, operate, and maintain the utility. Since implementing its ambulance utility in 2008 under this RCW, the City of Kennewick has performed numerous cost of service studies both internally and with the assistance of external consultants. The last cost of service study conducted by an outside consultant was completed in 2016. Staff believes there is value in contracting out the study periodically to obtain an outside perspective and ensure that the methodology being utilized is consistent with industry standards, and to determine if the revenue collected by the utility is sufficient to fund the rising costs of delivering emergency medical services in our community. The current cost of service study was also timed to coincide with the important policy decisions related to the Kennewick Fire Department (KFD) Standard of Cover that was recently completed. With those factors in mind, City staff made the decision to contract out our current cost of service study for the City's ambulance utility and selected FCS Group to complete the work. The FCS group will be providing a presentation on the results of the cost of service study, as well as a 6-year projection (2024-2029) for the future that looks at projected costs and potential funding options required to support the following four different alternatives:

(1.) Maintaining the current level of service for the City's ambulance service.
(2.) Enhancing the level of service for the City's ambulance emergency medical services delivery system by adding a peak-hour unit beginning in 2025.
(3.) Enhancing the level of service for the City's ambulance emergency medical services delivery system by hiring the additional staff required to operate a new fire station (Station 6) in the Southridge Area by 2027.
(4.) Enhancing the level of service for the City's ambulance emergency medical services delivery system by adding a peak-hour unit beginning in 2025 and hiring the additional staff required to operate a new fire station (Station 6) in the Southridge Area by 2027.

The recommendations staff will be making from the cost of service study stem from the results of the recently conducted Standard of Cover. City Council will not be asked to make any decisions on the alternatives discussed at the workshop, but staff will be seeking feedback. This item will be back for Council's consideration as part of the overall budget process for the upcoming 2025/2026 biennium.

Attachments:

1. Presentation

Ambulance Utility Rate Study

Chase Bozett,
Project Consultant
Angie Sanchez Virnoche,
Principal

July 23, 2024

FCS GROUP
Solutions-Oriented Consulting

Agenda

- Project Scope and City Background
- Existing Service Level Forecast
- Scenario Alternatives
- Items for Consideration
  - » No decision tonight
  - » Looking for feedback

Study Approach

- Data Collection: detailed financial and workload information
- Financial Model Update
- Comprehensive Technical Analysis
- Forecast of ambulance utility rates for the six-year planning period (2024-2029)

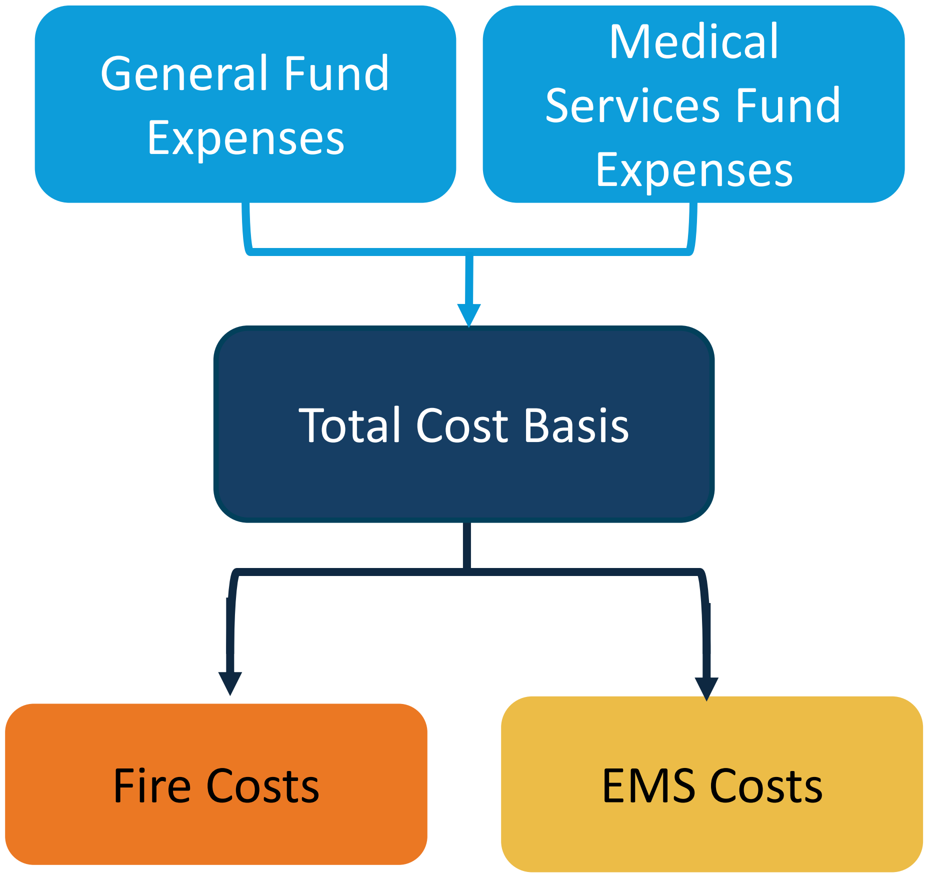
Project Scope

- Forecast ongoing Fire and EMS operating expenses
- Determine costs between Fire and EMS service
- Project offsetting EMS revenue sources
- Evaluate funding options of four scenarios

Ambulance Utility Overview

- **RCW 35.31.766** allows for the formation of an Ambulance Utility
  - » Provides general guidance on establishing rates
    - – Capital costs should be excluded from the rate
    - – Rates cannot exceed the cost to operate the utility

- **KMC 9.36.010** established the City's utility
  - » Authorizes the setting of rates to provide service



Background

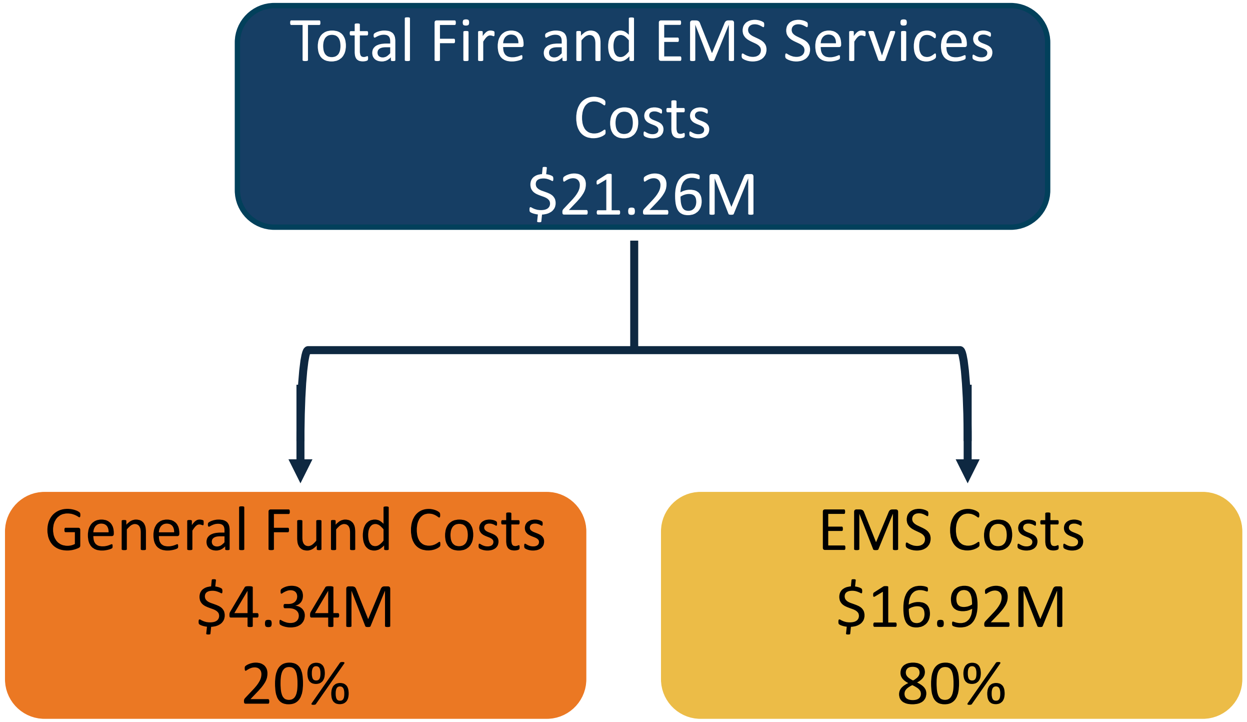
- Previous study completed by FCS Group in 2016

Metric	**Previous Study (2015 Data)**	**Current Study (2023 Data)**	***8-Year % Change***
City Population	77,975	86,470	*10.9%*
Billing Units	33,150 Units	36,442 Units	*9.9%*
EMS Calls for Service*	7,559	10,939	*44.7%*
Calls for Service per 1,000 Pop.	97	126	*29.9%*
Staff	84	96	*14.3%*
Fire Stations	5 Stations (5th Station just opened)	5 Stations (Evaluating a 6th)	*n/a*

Existing Service Level Forecast

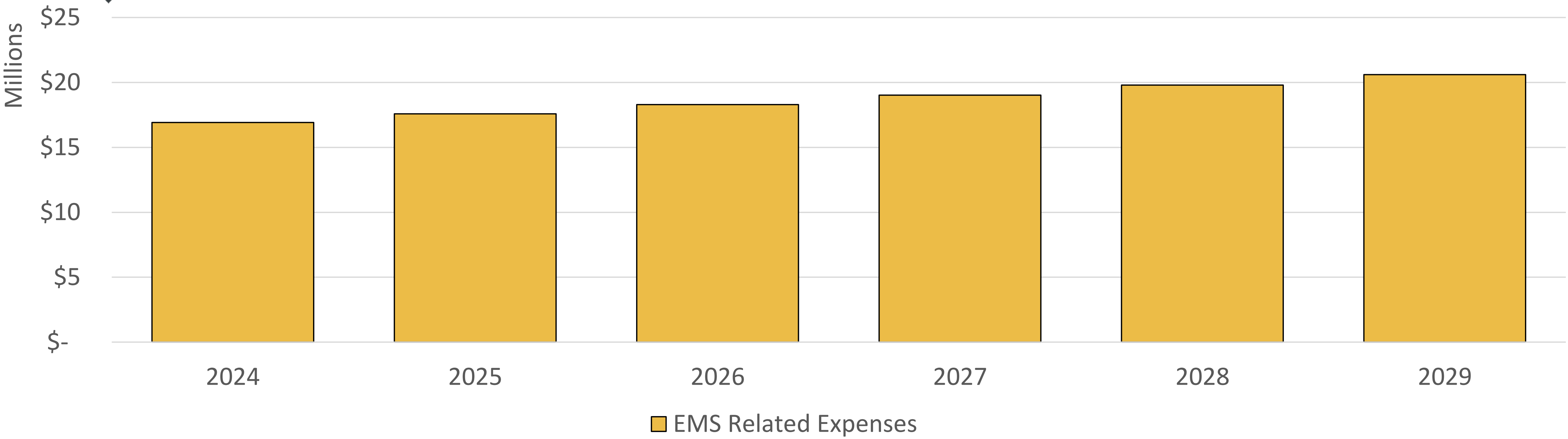
2024 Fire and Medical Services Cost Allocation

- General Fund specific costs
  - » Allocated 100% to General Fund
- EMS specific costs
  - » Allocated 100% to EMS
- Dispatch services
  - » Allocated based on number of incidents
- Labor, Benefits, General Costs
  - » Allocated based on time on incidents



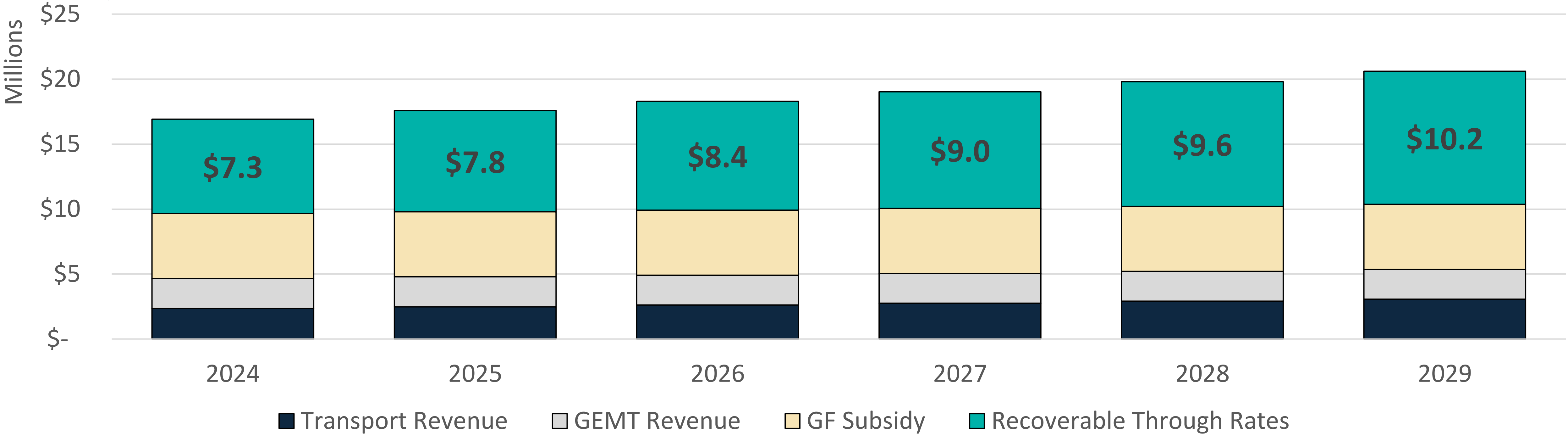
Incident allocation based on 2021-2023 City incident data

EMS Cost Forecast



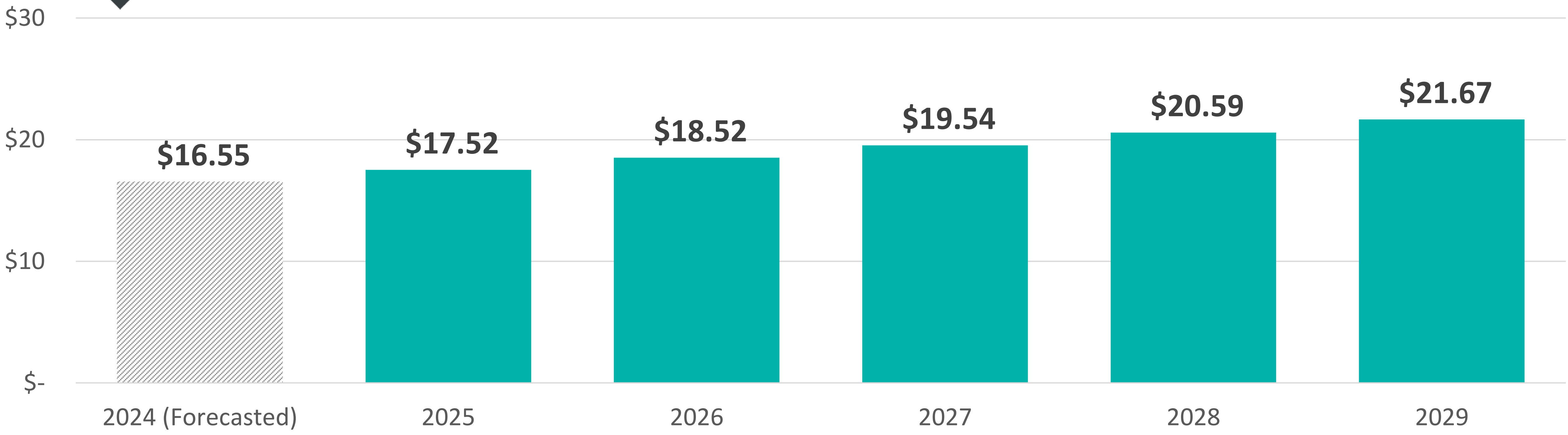
- Average annual cost increase: **4.0%**
  - » Line-item expenses evaluated and forecasted individually

EMS Revenue Forecast



- Transport revenues of $2.3M in 2024
  - » Forecasted to increase with incident growth
- Ground Emergency Medical Transport (GEMT) estimated ongoing revenues of $2.3M
  - » Based on historical averages
- General Fund Subsidy of $5.0M
  - » In alignment with current City funding
- Remaining to be recovered through rates

2024-2029 Monthly Bill Forecast

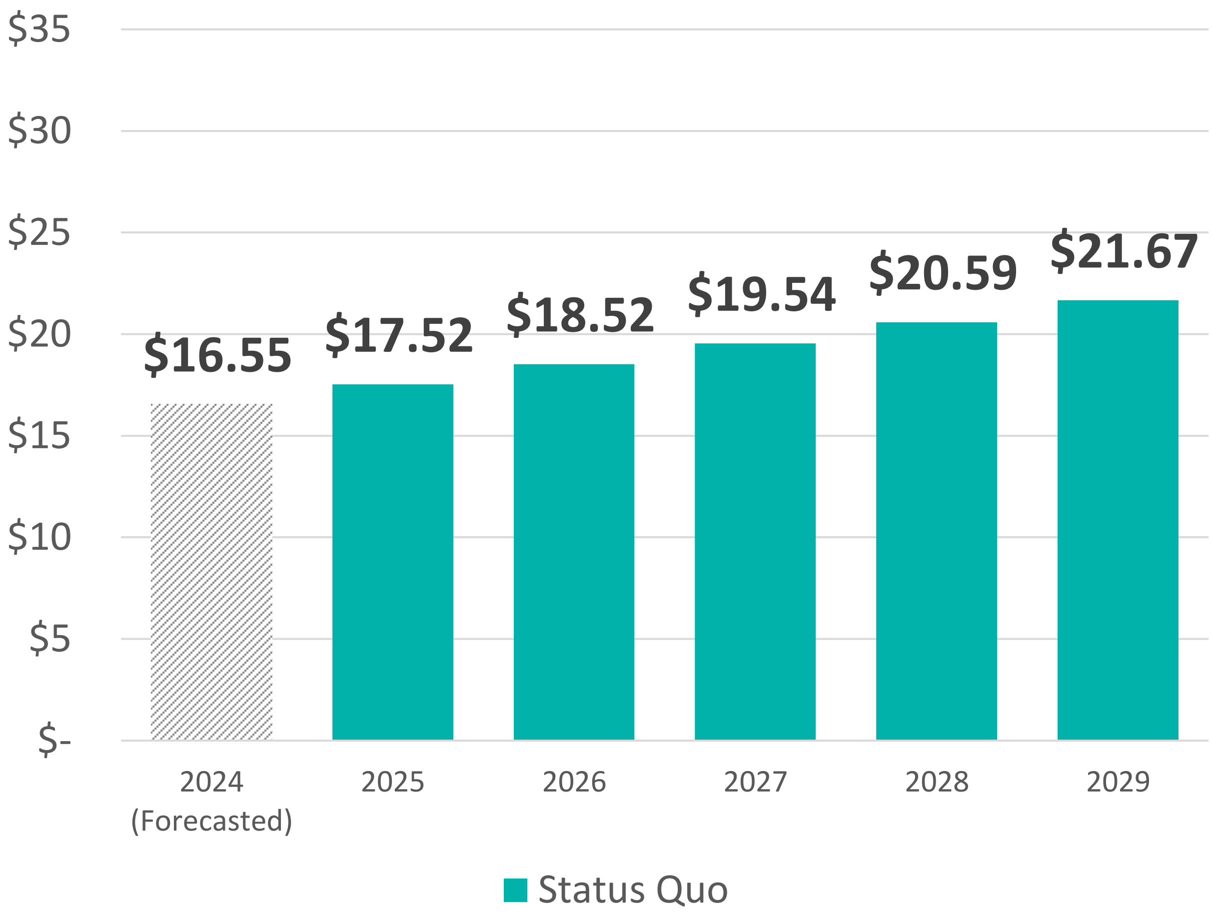


- Cost recoverable through rates spread over customer base
  - » Approximately 36,400 units
    - – Forecasted to increase at 1.5% annually based on City planning data
- Current rate: $15.14 monthly rate per Equivalent Unit
  - » Billed $30.28 every two months

Scenario Options

Scenario 1 – Existing Service Level

- Maintain the current service level
- No new costs



Scenario 2 – Peak Hour Unit

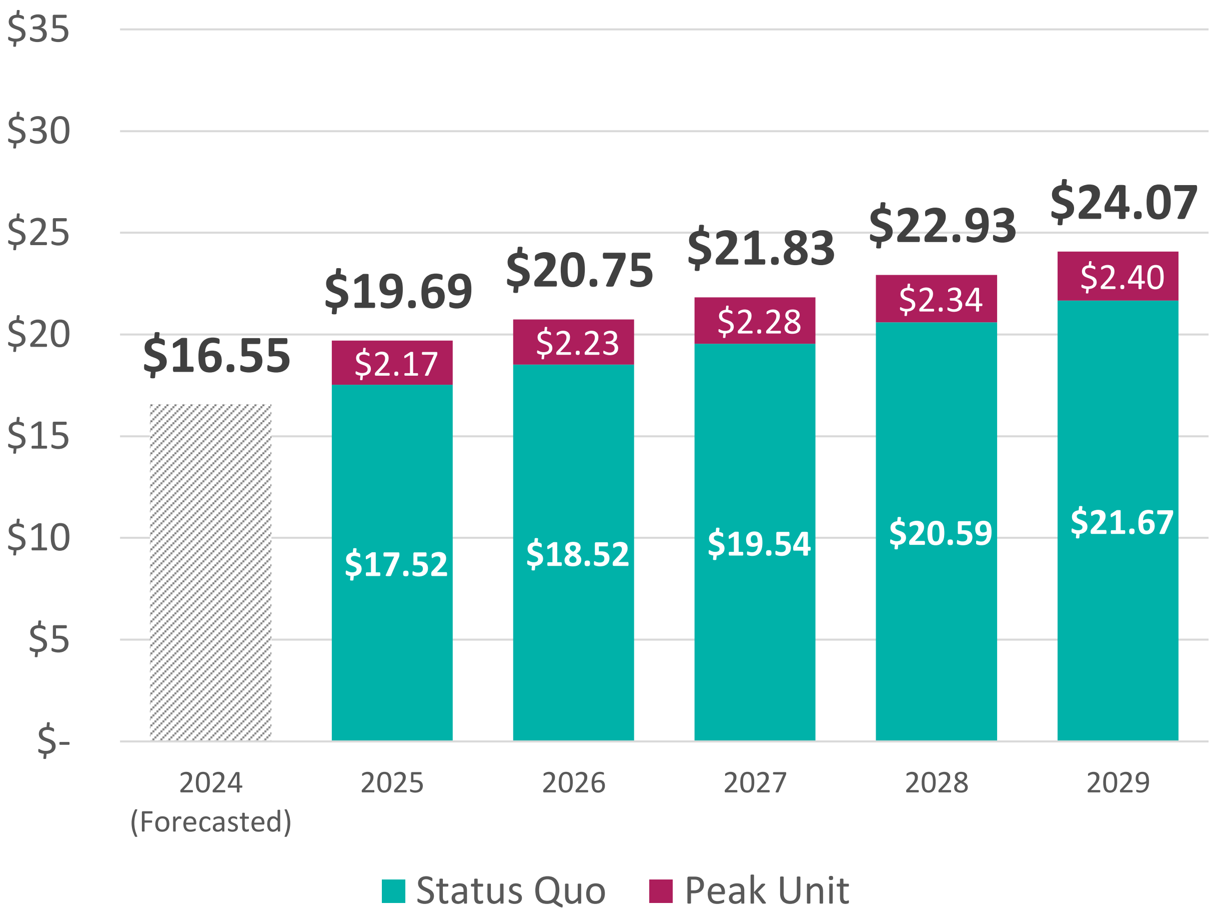
- Added Benefits
  - » Peak hour unit
- Additional Cost
  - » Full implementation in 2025

Total Cost
$1.07M

General Fund
$150k

EMS
$925k

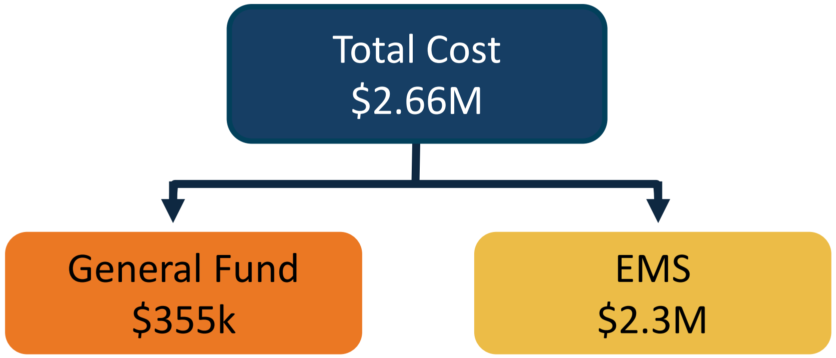
Cost shown in 2024 dollars



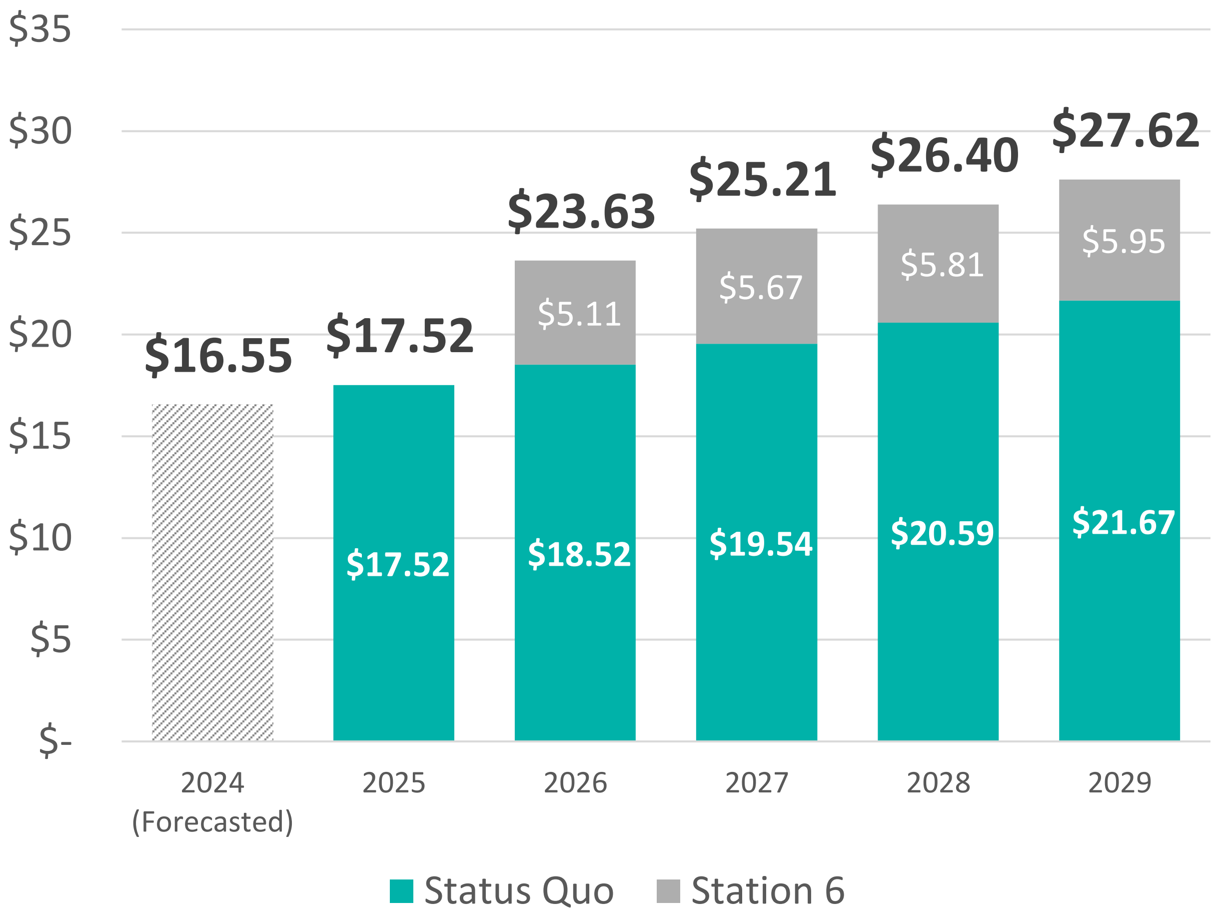
Scenario 3 – Staffing Station 6

- Added Benefits
  - » Staff Fire Station 6 in Southridge area

- Additional Cost
  - » Full implementation by 2027



Cost shown in 2024 dollars



Scenario 4 – Peak Hour Unit and Staffing Station 6

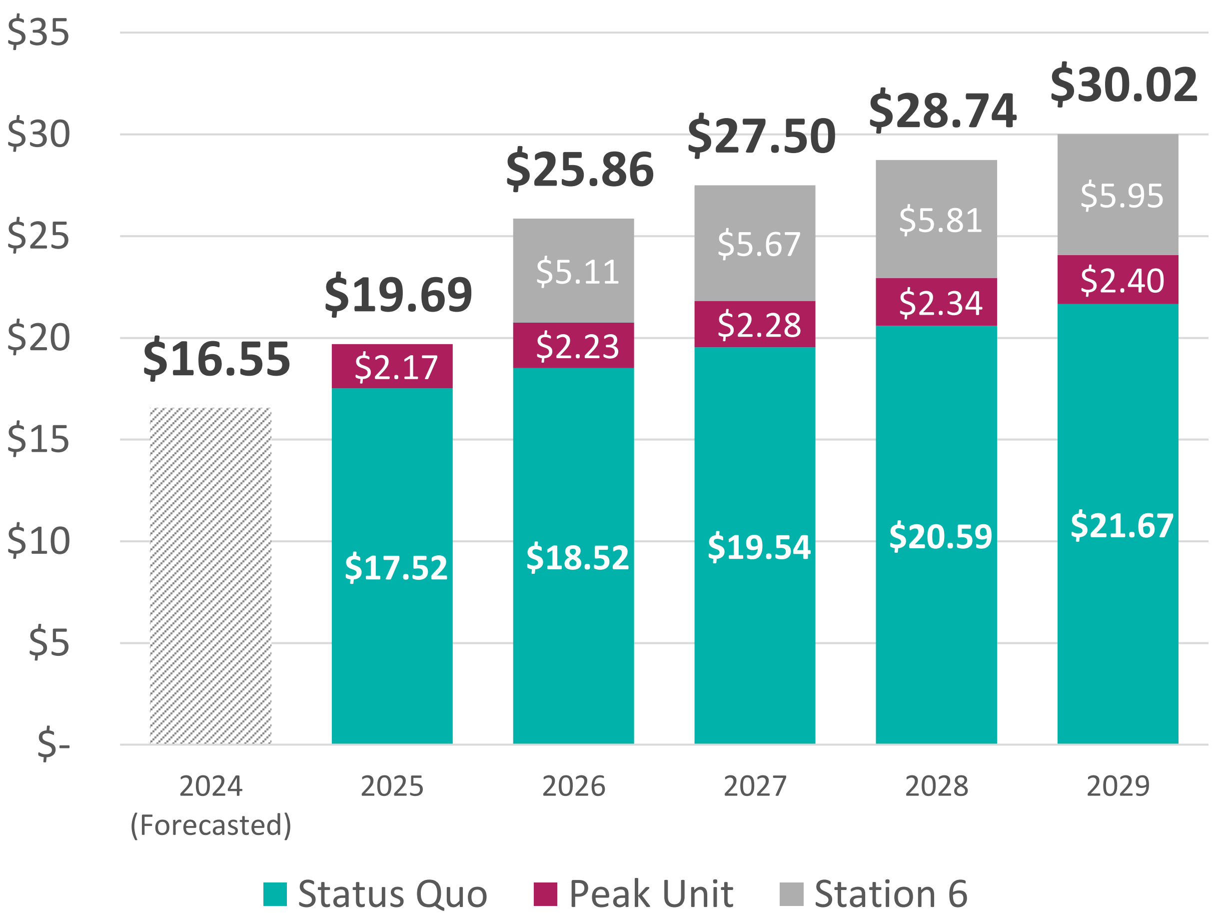
- Added Benefits
  - Peak hour unit
  - Staff Fire Station 6 in Southridge area
- Additional Cost
  - Peak hour unit in 2025
  - Full implementation by 2027

Total Cost
$3.73M

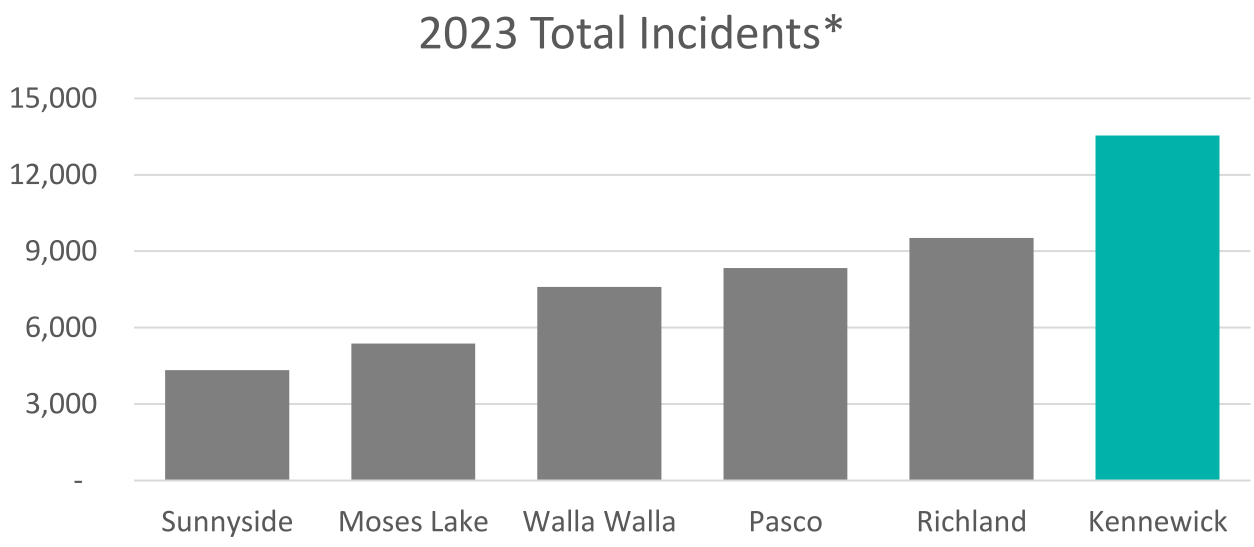
General Fund
$505k

EMS
$3.23M

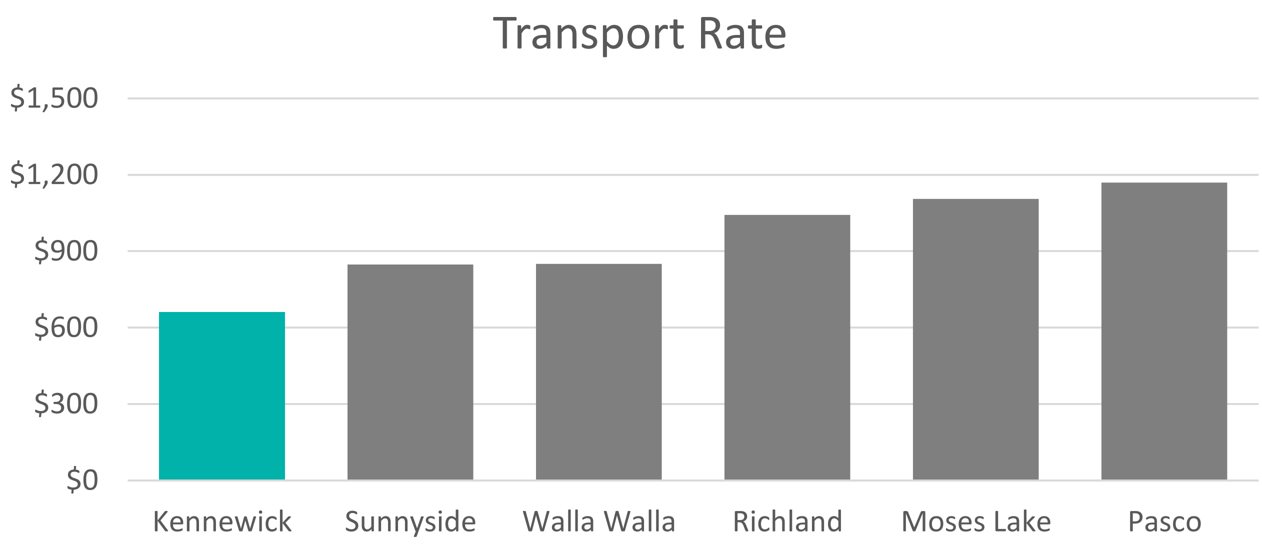
Cost shown in 2024 dollars

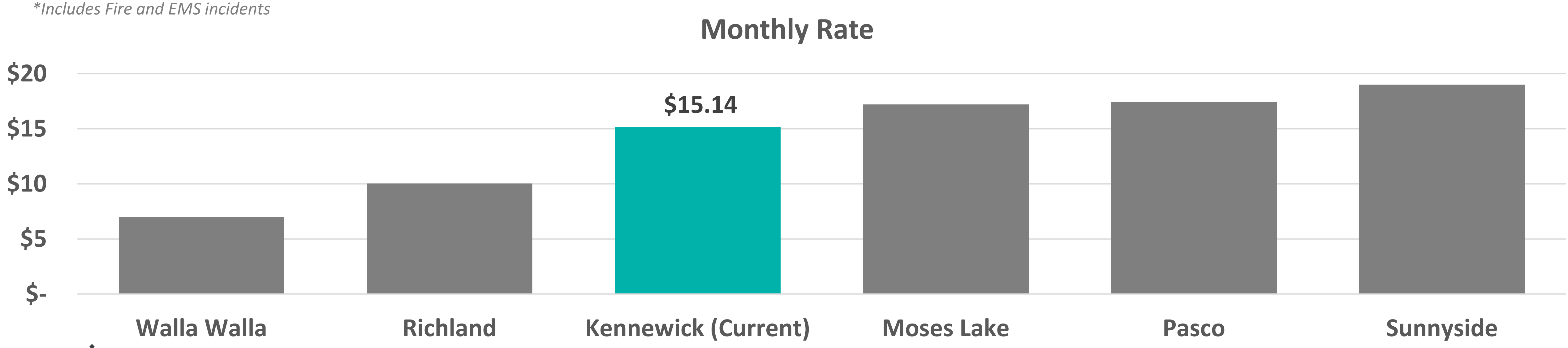


Jurisdiction Survey



*Includes Fire and EMS incidents





Items for Consideration

Items for Consideration

- Forecasted Monthly Rate Plan

Scenario Option	2025	2026	2027	2028	2029
Scenario 1: Existing Service Level	$17.52	$18.52	$19.54	$20.59	$21.67
Scenario 2: Peak Hour Unit	$19.69	$20.75	$21.83	$22.93	$24.07
Scenario 3: Staffing Station 6	$17.52	$23.63	$25.21	$26.40	$27.62
Scenario 4: Peak Hour Unit + Staffing Station 6	$19.69	$25.86	$27.50	$28.74	$30.02

Staff Recommendation

Peak Hour Unit starts in 2025
Staffing Station 6 to be added incrementally

- Alternative Funding Scenarios
  - » Increase transport rate
    - – Move towards aligning charge with cost to provide service
  - » Adjusting General Fund subsidy
    - – Funds likely already dedicated for other services

Thank you!
Questions?

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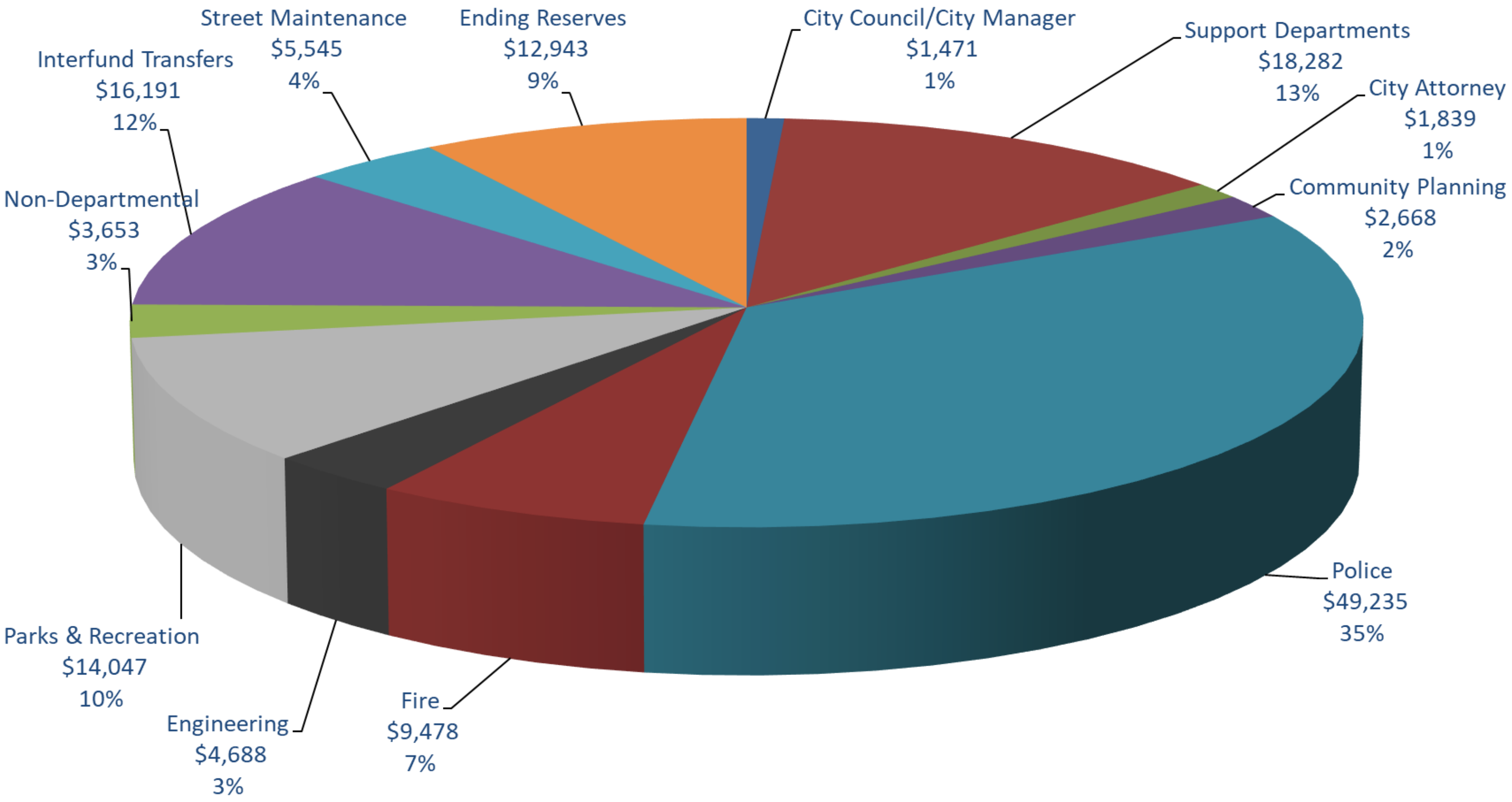
Appendix: '23-'24 General Fund Budget (Thousands)



Council Agenda Coversheet	**Item Number:** 3. **Date:** 7/23/2024 **Item Type:** Presentation **Subject:** Development Fees and Revenue Options **Department:** City Manager	**Category:** Info Only Policy Review

Summary

At the City Council budget retreat in May, a request was made for more information about the City's current development fees, as well as additional revenue options available to the City. In response to this request, staff has prepared a presentation for the July 23rd workshop that will provide an overview of the City's current cost recovery levels for its development fees, as well as summary level information about several new revenue sources that the City may wish to implement. Following the presentation, staff will be seeking policy direction from Council to determine if cost recovery levels for development fees should be reviewed further for potential modification and which new revenue options identified by staff should be explored further during the 2025/2026 budget process.

Attachments:

1. Presentation

Development Fees and Revenue Options Presentation

Kennewick City Council Workshop

July 23, 2024

Development Fees

- Development Review fees are designed to cover the costs associated with the staff time and resources required to review and process development applications, covering activities such as;
  - project plan review
  - conducting site inspections
  - ensuring compliance with local regulations and zoning laws.

- Development Review fees are not intended to be a revenue generator. Their primary objective is to offset the costs incurred by city staff during the review process, ensuring the financial burden of development does not fall on the city's budget.

- The imposition of Development Review fees ensures urban development is self-sustaining. It provides a way for cities to manage growth responsibly without diverting funds from other essential public services. This structure helps maintain a balance between facilitating development and protecting the financial health of the city.

Staying Competitive

- Cities need to maintain a competitive edge in the development review process to attract investment and new projects.
- Cities should periodically review their fee structures to ensure they are reasonable and in line with comparable cities.
- High fees can deter developers, pushing them to seek opportunities in other, more cost-effective locations.
- By keeping fees competitive and still covering operational costs, cities can strike a balance that encourages development and growth.
- This approach fosters economic vitality and enhances the city's appeal as a viable and attractive place for new business, contributing to long-term sustainability.

Fee Comparison

- The most recent fee study conducted by the City of Kennewick was completed in 2011 and showed that fees were not adequately recovering costs at that time.
- Staff is in the process of gathering data from the Tri-Cities area to assess our position in the market.
- Staff has also estimated the time and cost associated with planning review fees for development projects to determine if we are subsidizing development.

Cost Recovery of Current Development Review Fees

- Currently we are not recovering the cost of providing Planning review services.
  - Planning Cost recovery updated from 2011 is approximately 21%

We did not complete an update for Building and Engineering at this time however;

- Building cost recovery in 2011 was approximately 84% (these fees are calculated based on a valuation table that continues to rise so this recovery should be pretty accurate.)
- Engineering fees have been increased from a flat rate to 5% of construction cost since 2011.

Current Cost vs. Fees Charged for service Comparison

Fee Services	Total Direct Labor Cost	Total Overhead Cost	Other Associated Costs	Total Calculated Costs	Fees as of 2024	Percent of Costs Recovered by Fees	Fee Adjustment Needed to Recover Full Costs	Fee Adjustment Needed to Recover 60% of Costs
Preapplication Meeting	$1,136	$1,143		$2,279	no fee	n/a	n/a	n/a
Accessory Apartment	$130	$341		$471	$244	n/a	n/a	n/a
Additional Animal	$286	$677		$963	$244	25.35%	294.53%	136.72%
Appeals to Hearing Examiner	$2,094	$3,189	$1,200	$6,483	$611	9.42%	961.11%	615.23%
Boundary Line Adjustment	$575	$1,248		$1,823	$244	13.38%	647.23%	348.34%
Binding Site Plan	$1,564	$2,309		$3,872	$611	15.78%	533.77%	280.26%
Parcel Combination	$480	$1,056		$1,536	$244	15.89%	529.45%	277.67%
Change of Use Counter Review	$0	$0		$0	no fee	n/a	n/a	n/a
Change of Zone	$1,864	$3,756		$5,620	$1,221	21.73%	360.26%	176.16%
Comp Plan Amendment	$1,998	$3,805		$5,803	$1,221	21.04%	375.30%	185.18%
Conditional Use Permit	$2,093	$3,668		$5,761	$1,221	21.20%	371.80%	183.08%
Environmental Determination (No Other Permit)	$385	$967		$1,352	$305	22.56%	343.32%	165.99%
Final Plat	$1,519	$2,373		$3,893	$490	n/a	n/a	n/a
Grading Permit	$270	$767		$1,037	$305	n/a	n/a	n/a
Minor Variance	$170	$378		$549	$184	33.54%	198.15%	78.89%
Planned Develop or Horizontal Mixed	$2,951	$4,913	$1,200	$9,064	$1,221	13.47%	642.37%	384.74%
Plat Exemption	$507	$812		$1,319	$244	18.49%	440.72%	224.43%
Pre Plat	$2,872	$5,145	$1,200	$9,217	$36 per lot with a $1221 minimum and a $2442 maximum	26.50%	277.42%	146.11%
Seasonal Parking Lot Sales	$103	$258		$361	no fee	n/a	n/a	n/a
Shoreline Development	$2,557	$4,941	$1,200	$8,698	$1,831	21.05%	375.05%	211.24%
Short Plat	$1,675	$2,508		$4,184	$611	14.60%	584.70%	310.82%
Sign Permit	$143	$371		$514	Based on value	n/a	n/a	n/a
Site Plans Approval Tier I	$1,001	$1,906		$2,908	$611	21.01%	375.86%	185.52%
Site Plan Approval Tier II	$1,876	$3,322		$5,199	$793	15.25%	555.58%	293.35%
Site Plan Approval Tier III	$1,906	$3,417		$5,323	$793	14.90%	571.24%	302.75%
Variance	$1,887	$3,658	$1,200	$6,745	$1,221	18.10%	452.42%	270.76%
Zoning Ordinance Amendment	$1,572	$2,864		$4,436	$1,221	27.52%	263.31%	117.99%
Zoning Letters	$180	$378		$558	$122	n/a	n/a	n/a

Conclusion of Fee Comparison

- From the very preliminary look at review fees it appears we are not recovering costs.
- We have gathered the fee schedule data from the tri-cities area. Pulling it all together in a comparable format is a very time intensive exercise.
- Before we move forward staff would like to get input from Council on your position and interest in reviewing and adjusting development review fees at this time?

Alternative Funding Sources

- The cost of providing infrastructure, facilities, and services can be expensive and local governments should always be on the lookout for useful revenue sources.
- Relying solely on traditional funding sources such as property tax, sales tax, and utility tax often times does not cover operation and capital cost and does not provide funding for new programs and facilities.
- Utilizing alternative funding options can provide more stability and allow the city to keep up with aging infrastructure and a growing population.

Additional Revenue Tools

Fees & Charges for Service

- What is the City's philosophy on recovering costs of certain services?
- Any rate or fee for service (e.g. recreation fees, business license fees, development fees, credit card fees, overhead rates), especially those that have not been adjusted in some time could be evaluated against the cost of delivering the service as well as market trends and may be a source of additional revenues
- The City recently completed a rate review for Ambulance Services with alternatives to fund enhanced service levels.
- The City will also be completing a water/sewer utility rate study and presenting the results later this year
- Rate revenue **cannot** be used for non-utility costs, but the utility tax generated from rate increases benefits the General Fund
- Increased fees & charges for services is primarily a tool to cover costs of delivering service rather than for new or expanded programs

Business & Occupation (B&O) Tax

- B&O Tax is the fourth leg of the local government "revenue stool"
- Tax on gross business receipts. In 2022, 49 of Washington's 281 cities levied this tax
- Administrative costs and obligations associated with administering this tax
- Can be very unpopular (levied on gross receipts rather than net profits)

Fund Balances

- The City has accumulated fund balances in the General Fund and in the CIP Fund
- One-time money – once it's spent it's gone, meaning best used for one-time costs
- Many capital facilities come with on-going operating costs, that fund balance generally does not support
- May be legal or policy restrictions to consider with the CIP fund balance

Additional Revenue Tools

Impact Fees

- Kennewick currently collects parks and transportation impact fees on new development to pay for "system improvements" needed as a result of new development
- State law also allows for fire impact fees
- City increases parks and transportation impact fees annually by an inflation factor
- Cities typically review impact fees periodically to ensure fees are aligned with substantiated need
- Impact fees cannot be utilized to address existing system deficiencies or deferred maintenance

Transportation Benefit District (TBD)

- Any city our county may form a TBD by ordinance, following a public hearing, if it finds that to be in the public's interest.
- Almost all TBDs share the same boundaries as their establishing jurisdiction, in which case its governing board is the same as the jurisdiction's legislative body (i.e. City Council)
- The most common funding source for TBDs is a sales and use tax of up to 0.3% (0.1% may be imposed by the governing board)
- Another common funding source for TBDs is vehicle license fees up to $100 per vehicle with voter approval ($50 max without)
- TBDs are often utilized for pavement preservation and could free up, or supplement, existing funding for this purpose.

Metropolitan Parks District (MPD)

- Creation of a voter-approved Metropolitan Parks District could offer some additional property tax revenue tools to the City
- Regular levies up to $0.75 per thousand, levy lid lifts, and one-year excess levies (any levy would require voter approval)
- Considered a "junior taxing district"
- MPDs can issue debt up to 2 ½% of the district's AV – ¼% can be non-voted, with the remaining requiring voter approval
- Depending on how formed, City Council can act as the MPD Board
- According to MRSC, there were 23 metropolitan parks districts in Washington state in 2023

Tax Increment Financing Tool

Overview

- Tax Increment Financing is a tool to fund public infrastructure in targeted areas to spur private development
- Similar to local revitalization financing (LRF) tool used for Southridge infrastructure and Sports & Events Complex
- "Public Improvements" defined in RCW and include "community facilities"

Creating a Tax Increment Area

- Process outlined in state law and includes a project analysis reviewed by the State Treasurer to determine feasibility and impacts to taxing jurisdictions
- Limited to two areas that do not overlap, with a combined AV of less than $200 million or 20% of total AV.
- Must include a sunset date for increment area not to exceed 25 years

Allocation of Property Taxes

- All taxing jurisdictions continue to receive taxes on "base value"
- Jurisdiction implementing TIF receives property taxes received on future increases in AV
- Increment areas take effect on June 1, but tax allocation revenues received in the following year
- The state school levy, regular property taxes for a port or public utility district necessary to repay general obligation bonds, and excess (voter approved) levies are excluded from TIF

Additional Property Tax Tools

Levy Lid Lifts	Levy lid lifts are voter-approved property tax increases that allow property tax rate to exceed the 1% limit. Revenues generated can be used to support operating costs or capital costs, including debt service costs. Duration of the increase and amount of the increase is influenced by the type of levy lid lift put on the ballot. Most options require a simple majority approval.
EMS Levy	With an EMS Levy cities can levy up to an additional $0.50 per $1,000 AV to provide for emergency medical services. This voter-approved levy may be imposed for 6 years, 10 years, or permanently. According to MRSC, voters have approved the vast majority (90%) of city EMS levies in recent years. The City of Kennewick has typically charged a rate for ambulance services. The City could select both options provided that the collective revenues generated do not exceed the cost of delivering the service.
G.O. Bond Excess Levies (Capital)	General Obligation (G.O.) Bond Excess levies are voter-approved (super majority) property tax increases that provide a steady stream of revenue to repay debt for a particular capital project(s) and are sized to cover the annual debt service costs until the bonds issued for the project(s) is paid off, at which point the levy expires. This contrasts with Limited Tax General Obligation (LTGO) bonds which can be issued through councilmanic action (i.e. without voter approval) using existing General Fund revenues.
Banked Capacity	Cities that forgo all or a portion of the 1% allowable increase in property tax can "bank" that capacity and tap into that capacity in a subsequent year(s). Banked capacity can accumulate deliberately where by a City Council decides not to levy the full 1% or unintentionally if final assessed property values set by the county assessor comes in higher than what was assumed when the property tax levy rate was approved by the City Council. The City has roughly $173K in banked capacity.

Staff Recommendations for Council to Explore for 2025/2026 Budget

- Impact Fees
  - Review Transportation and Park Impact Fees to ensure rate captures capital needs
  - Implement Fire Impact Fee to assist with development of Fire State #6 and other capital needs associated with new development
- Transportation Benefit District
  - Explore options for vehicle license fees or sales tax (councilmanic) or voter approved)
  - This provides a revenue stream to cover cost of maintenance and preservation to supplement or replace funding currently allocated for this purpose
- Explore Tax Increment Financing for Convention Center Project
  - Identify a potential tax increment area and benefit to provide a revenue stream for debt service
- Explore Metropolitan Park District city wide
  - This could include discussion and preparation for a vote at the end of 2025 or early 2026.
- Update fee schedule to Pass Credit Card fees on to the customer at an appropriate recovery level

Questions?