

**WHATCOM COUNTY
EXECUTIVE'S OFFICE**

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Satpal Singh Sidhu
County Executive

Memorandum

To: Executive Satpal Sidhu
Whatcom County Council
Emergency Medical Services (EMS) Oversight Board Members

From: Jed Holmes, Public Affairs & Strategy Manager
Kayla Schott-Bresler, Deputy Executive

Date: October 6, 2025

RE: Updated EMS Budget and Levy Scenarios

Summary

Analysis of the Whatcom County Emergency Medical Services (EMS) fund has identified a structural budget imbalance. Revenues are not keeping pace with expenses, as inflationary pressures, as well as unbudgeted and unplanned costs, have caused a significant deviation from the initial budget included in the 6-year Levy Plan. The structural deficit for the current year is estimated at \$2.9 million and, without additional revenue, may grow to as much as \$5.9 million by 2028, fully depleting reserves and causing significant cashflow challenges.

Through the EMS Levy renewal process in 2022, voters authorized the County to levy an amount that exceeded the initial revenue budget by more than \$2.2 million a year. For the past three years, the County has not levied the full amount available.

The Technical Advisory Board (TAB) and EOB Finance Sub-Committee have discussed the EMS budget situation at length and jointly recommend that the EMS Oversight Board request that the County Executive and County Council use the full taxing authority approved earlier by voters for the final three years of the levy (2026-2028). Levying at the highest lawful levy amount would generate a total of approximately \$7.5 million in additional revenue over the final three years of the levy.

If the highest lawful levy is taken over the next three years, current projections show a 2028 ending fund balance of \$7.9 million or approximately 27% of current year expenses.

Background

In July 2022, following the EOB's recommendation, the County Council adopted the 2023-2028 EMS Levy Plan and placed the EMS levy on the ballot for voter consideration in November 2022. The approved Levy Plan's budget included \$13.2 million in revenues from the property tax levy in 2023 and slightly higher amounts each year with \$13.9 million anticipated for 2028 thanks to value added by new construction.

Based on assessed values at the time of the Levy Plan adoption, a levy rate of 29.5 cents per \$1000 AV would raise approximately \$13.2 million. However, when the Assessor published the new assessed values in October 2022, the proposed rate would have generated \$15.5 million, significantly more than included in the Levy Plan budget.

After the ballot measure was approved, the County administration was faced with the question of how much to levy – the amount budgeted in the Levy Plan or the maximum amount approved by voters. The County Executive’s Office proposed to the Council a levy amount of \$13,235,000, which matched both the Levy Plan and the budget adopted by the Council. The Council approved the proposed levy ordinance and collections began the following year.

However, the voter-approved ballot proposition established the highest lawful levy amount at approximately \$15.5 million in 2023. This is important in two respects:

- 1) The authority to levy any authorized but unused amount (but not rate¹) is carried forward into future years (sometimes referred to as “banked capacity”).
- 2) The highest lawful levy amount is used to calculate the 1% growth factor in future years.

As a result, the taxing authority for the EMS Fund has gradually increased from the baseline set for the 2023 tax year due to the 1% growth factor as well as new construction. Per the Assessor’s Office’s calculations, for tax year 2025 the EMS levy fund had authority to levy \$16,120,891, \$2,503,105 of which was not used.

The highest lawful levy amount is calculated each year based on the 1% growth factor, new construction values as well as updated state utility assessments. The exact amount authorized for the upcoming 2026 tax year will only be known after those numbers are finalized this fall.

Origins of Structural Imbalance

The EMS Levy Plan budget was based primarily on fixed revenue streams and variable expenditures. An extended period of high inflation from 2021 to 2023 undermined expenditure expectations that were incorporated in the initial Levy Plan budget.

When comparing the original Levy Plan budget with the current EMS budget for 2025, we see deviations across the entire expense budget but most prominently in ALS reimbursements, dispatch costs, County indirect, and paramedic school. Total expenditures for 2025 are expected to be \$25.4 million, which entails approximately \$2.9 million in deficit spending.

Broadly speaking, the cost escalations observed for this fund are not unique. As a fund that is substantially dedicated to supporting personnel costs, sustained high inflation has driven up expenses. In particular, ALS contracts, which account for two-thirds of the fund’s expenditures, are inflated by a factor of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) plus 1%

¹ The levy rate of 29.5 cents per \$1000 AV is only relevant to the establishment of the levy amount in the first year of the levy. Going forward, the highest lawful levy amount along with the 1% growth factor and assessed value added through new construction are used to determine future levy limits.

each year. As a result, the cost per ALS unit has grown from \$2.08 million in 2021 to \$2.85 million in 2025, an increase of 37% over the five-year period.

EMS Fund Reserve Policy

The EMS Levy Plan indicates that the EMS fund balance should be approximately 70% of the current year's budgeted operating expenditures and shall be budgeted at no less than 50% of these expenditures. This reserve policy was created as a contingency for levy renewal uncertainty.

Should a reserve fall below its minimum target balance, the EMS Administrator in coordination with the EMS Finance Advisory Committee is charged with developing a plan to achieve compliance with the policy. The plan must be approved by the TAB and EOB Committee before presenting to the County Executive and adopted for replenishing the reserve balance to the target.

During recent EOB meetings, there has been discussion about the need to revisit the reserve policy in light of current circumstances, but no specific policy recommendation has been provided yet by the board.

Fund Balance Projection

At the past two EOB meetings (June 11 and September 10) revenue scenarios² were presented to show the effect of three levy options for the remaining years of the levy cycle:

- 1) maintaining current levy amount plus new construction;
- 2) increasing current levy amount by 1% annually plus new construction;
- 3) levying the highest lawful levy amount for each year.

The first two options do not significantly differ in their impact on 2028 ending fund balance – the first is projected to result in a fund balance of -\$408,000 while the second would achieve a fund balance of \$411,000.

Levying the highest lawful levy amount would add approximately \$7.5 million over the three-year period and substantially slow the depletion of the fund's reserves. At the end of 2028, the fund would have a balance of approximately \$7.9 million. (See Appendix A for graphical comparison of projections.)

With respect to the fund reserve policy, the projections for all levy options show reserves slipping below the 70% target, and below the 50% adjusted target, by the end of this year and remaining out of compliance for the remainder of the levy cycle.

Recommendations

From a strictly fund administration and cashflow perspective, it is ill-advised to allow fund reserves to drop below three months of operating expenses. For 2028, when expenditures are projected to reach approximately \$29 million, this reserve minimum would be \$7.25 million.

² The revenue scenarios were updated on September 30, 2025, to reflect significantly higher than expected dispatch costs, which result in more rapid depletion of fund balance than previously shown.

The expense structure of the EMS Fund is primarily predicated on long-term agreements with ALS and BLS agencies and What-Comm (City of Bellingham). Any path toward meaningful reductions in expenses would require the County to revisit these agreements and the level of service stipulated. Doing so outside the established EMS levy planning process could be highly disruptive. We expect the planning process for the next levy cycle to begin in late 2026 and believe that process would provide an appropriate avenue for consideration of cost-saving measures.

With that in mind, the most practical path currently available to maintain a reserve above \$7.25 million through the end of levy cycle would be to levy a portion of or all voter-approved levy capacity for the EMS Fund.

Given the budget realities described above as well as uncertainty regarding sales tax and GEMT payments, the staff recommendation would be to levy additional capacity beginning in 2026. Waiting until 2027 to utilize the unused authority begins to create risk related to existing contractual commitments and service expectations.

Additionally, given that even with use of the banked capacity the fund balance will not meet the established fund reserve policy, it is recommended that the Finance Committee and EOB revisit this policy and update that guidance.

Taxpayer Impact

The EMS Levy's unused taxing authority currently equates to approximately 4.1 cents per \$1000 in assessed value. If levied in full, the owner of a home valued at \$635,000 (the estimated average sales price in 2025) would see a \$26 increase in their property tax.

Appendix A: Levy Option Projections and Fund Balances

