



MEMORANDUM

TO: Whatcom County Council

FROM: Kayla Schott-Bresler, Deputy Executive

CC: Satpal S. Sidhu, County Executive
Aly Pennucci, Deputy Executive
Randy Rydel, Finance Director
Mike Hilley, EMS Manager

FROM: June 24, 2025

RE: EMS Budget Update

Summary: Inflation-driven cost escalations and stagnant revenues will create significant challenges for the EMS fund and erode the fund's reserves over the next four years. Contractual obligations make it difficult to curb future cost escalation without reducing service levels. On the revenue side, most funding sources have limited flexibility (sales tax, GEMT, etc.) for increasing revenues. The EMS property levy has unused property taxing authority (approximately \$2.3 million in "banked capacity"), and the Council has requested additional briefing on the EMS fund prior to the 2026 mid-biennium budget process.

Background: In July 2022, 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 (based on new construction growth and annual 1% increases).

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 29.5 cents would have generated \$15.5 million.

After the ballot measure was successful, 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.

The 2022 decision to proceed with the budgeted amount leaves the County with approximately \$2.3 million in unused annual taxing authority associated with the EMS levy. In 2023, the Council declined to take the 1% annual increase the levy amount for 2024, thus creating additional banked capacity, but approved a 1% levy increase for 2025.

Reserve Target

The EMS Levy Plan adopted a reserve policy as follows:

- 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. With other revenue sources, this would allow funding for one year if a levy fails to be renewed.
- Should a reserve fall below its minimum target balance, the EMS Administrator, in consultation with the EMS Finance Advisory Committee shall create a plan to bring the Reserve to the balance described in this policy. The plan shall be approved by the TAB and EOB Committee before presenting to the County Executive and adopted for replenishing the reserve balance to the target.

EMS Fund Revenue and Spending in 2023-2024

For the first two full years of the renewed levy, the EMS fund received \$46.7 million in EMS revenues, including \$26.6 million from the property tax levy. For context, the Levy Plan anticipated \$44.5 million in revenue, including \$26.6 million from the levy. Spending over this same period reached \$44.8 million, which was slightly higher than the levy plan's \$43.1 million.

However, increasing cost escalation tied to contractual commitments is putting pressure on the levy budget, and the 2025-2026 biennial budget is structurally out of balance with \$45.2 million in expected revenue and \$50.7 million in expected expenditures, projecting a \$5.5 million draw on fund balance (assumes 1% levy increase in 2026).

The HCA's Ground Emergency Medical Transportation program provides approximately 10% of annual revenues to the EMS fund. Notably, recent proposals at the federal level would cut funding for the expansion of Medicaid that occurred under the Affordable Care Act, putting at risk State's program that passes these funds to Counties for EMS purposes.

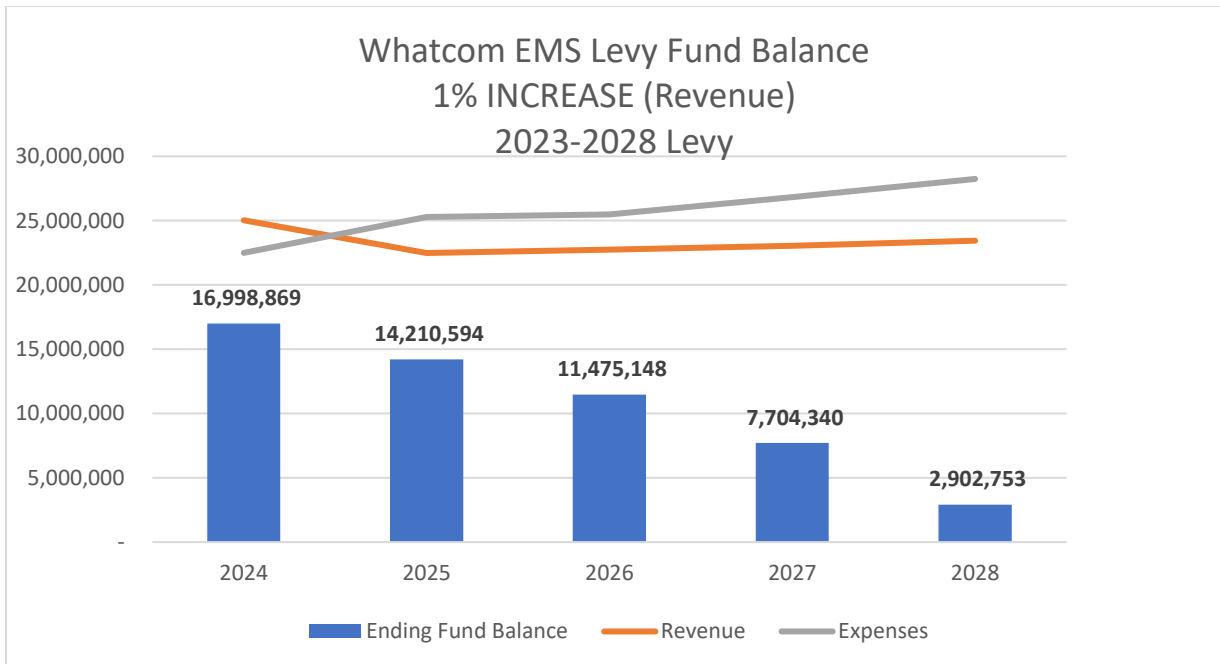
Future Cost Escalation

ALS contracts signed in 2023 tied compensation to a formula (CPI-W+1%), which will increase costs over the next five years. Based on an assumption that those costs will accelerate at 5.6% annually, expenditures in 2028 may reach \$28.2 million, well above the \$25.1 million anticipated in the Levy Plan. With revenues expected to remain flat, this emerging gap between revenues and expenditures not only threatens the fund's reserve target (70% of the current year's budgeted operating expenditures) but

also potentially create cash flow issues during the final year of the levy cycle and first year of the next (if approved by voters).

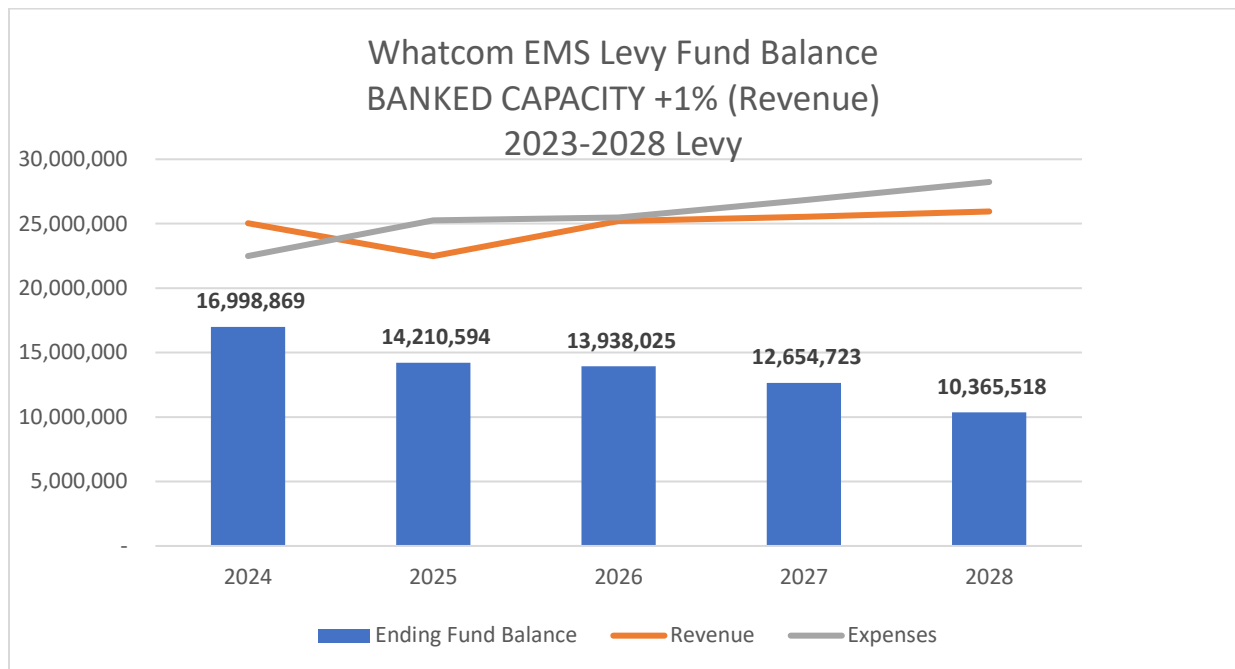
Expenditure priorities are oriented to the operations of the five Paramedic Units in the county. Approximately 75% of the operating funds are related to personnel costs. The remaining amounts are related to equipment, training, fuel, fleet and other actual operational costs. It is important to note that most all expenditures are tied to contractual obligations.

The graph below shows the End Fund Balance projection with the 1% increase over the remaining years of the Levy cycle. This leaves the End Fund Balance at about \$2.9 million in 2028, well below the reserve target.



This projected fund trajectory remains a major concern of the EMS Finance Committee, which has met several times to determine pathways towards a healthier end fund balance to meet the reserve goals. The EMS Finance Committee recommended use of banked capacity to the EOB on June 11, 2025 but the EOB has deferred a vote until late summer.

The graphic below demonstrates a healthier end fund balance using the banked capacity along with the continued use of the +1% for revenues.



In the June 11th EOB meeting, the Executive noted that taking the banked capacity in 2026 still leaves the projected 2028 ending fund balance below the 50% reserve target. It also does not address the long-term issue that expenditures will continue to outpace revenues during the next levy planning cycle, assuming a renewal rate of 29 cents and continued 5% compounding annual increases in expenditures.

The Executive asked the Finance Committee to collaborate with the TAB and report to the EOB with further analysis and recommendations prior to the Executive's preparation of the mid-biennium budget. Expense strategies should be considered as a companion to revenue augmentation. The Executive stressed an obligation to look into the future and the importance of EMS going through similar exercises as other public agencies with respect to budget difficulties. This could lead to review of 2023-2028 EMS levy plan priorities and, if needed, possible minor amendments; however, it is most important to anticipate what is going to happen in the next levy period.

EMS Reserve Policy (as adopted Levy Plan)

Policy Overview	
<p>Reserves are a proactive management tool to protect EMS's ability to provide emergency medical service when there are unexpected events or changes in revenue or expenditures. EMS reserves ensure the system can withstand revenue and economic disruptions, unanticipated expenditure demands including capital requirements, and meet other necessary non-recurring expenses. Reserves are a key factor in external agencies measurement of EMS's financial strength.</p>	
Reserve Policy Principles	
Purpose	To ensure adequate resources for cash flow and mitigate short-term effects of unforeseen events. Reserve funds are necessary to enable the EMS system to deal with unforeseen emergencies, changes in economic conditions, or revenue loss.
Approval	The County Executive shall approve this policy and: <ul style="list-style-type: none">• The creation or deletion of any reserve amounts• Changes in reserve amount funding formulas• Reserve balances, as part of the annual budget process• Reserve replenishment plans
Target Balance	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. With other revenue sources, this would allow funding for one year if a levy fails to be renewed. The year needed to hold a new election for a levy would provide time to create a plan moving forward.
Reserve Minimum Target Balance	Should a reserve fall below its minimum target balance, The EMS Administrator, in consultation with the EMS Finance Advisory Committee shall create a plan to bring the Reserve to the balance described in this policy. The plan shall be approved by the TAB and EOB Committee before presenting to the County Executive and adopted for replenishing the reserve balance to the target.
Policy administered by the EMS Administrator	