

# NORTH KITSAP FIRE & RESCUE

## 2021 - 2022 Funding and Budget

### 2021 Budget Overview

Expenses (Budgeted)	\$ 10,089,608	Expenses (Actual)	\$ 10,296,457
Revenue (Budgeted)	\$ 9,732,006	Revenues (Actual)	\$ 10,451,220
Beginning Fund Balance	\$ 3,281,687	Ending Fund Balance	\$ 3,376,450

*Figures exclude all grant revenues and grant-funded expenditures. Temporary voter-approved additional taxes of \$1,622,028 are included in the revenue figures.*

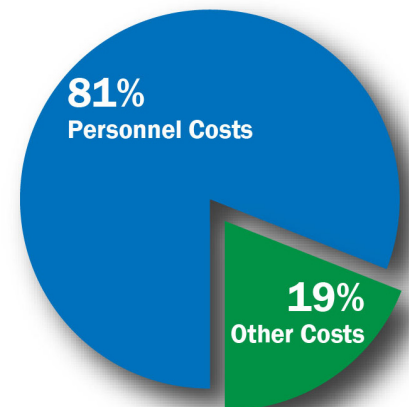
The following tables and charts provide an overview of the district's 2021 funding. The beginning fund balance (or "operational reserve") provides the resources to meet expenses during the first months of the

fiscal year until property taxes begin arriving at the end of April. Greater than expected revenues came mostly from non-property-tax sources like ambulance transport user fees as well as federal and state reimbursement for the costs associated with sending our personnel out of the region to help at major incidents. Greater than expected expenses were primarily the result of unanticipated overtime costs due to personnel turnover and sick/injury leave. The district's capital reserve, currently at \$2.9 million, also serves as a "rainy day" or contingency fund.

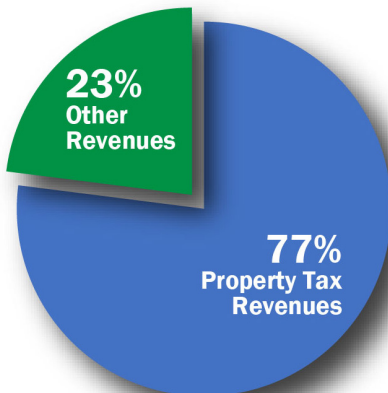
### Expenses

Personnel costs comprise the vast majority of the district's expense budget, as shown in the 2021 expenses chart at right. Among those costs were salaries and benefits for the district's 55 career personnel as well as reimbursements and stipends for its 11 volunteers and 5 elected fire commissioners.

### 2021 Expenses



### 2021 Revenues



### Revenues

Fire protection districts receive no on-going federal, state or county funding. In 2021, 77% of NKF&R's operating revenue came from local property taxes. User-fees for ambulance transports, federal and state government reimbursement for the costs associated with sending personnel out of the region on wildland and other hazard deployments, project-specific grants and contracts for service are examples of the district's limited non-property-tax revenue sources.

Under state law, fire districts are authorized to collect property taxes of up to \$1.50 per \$1,000 of assessed valuation. With voter approval, agencies can

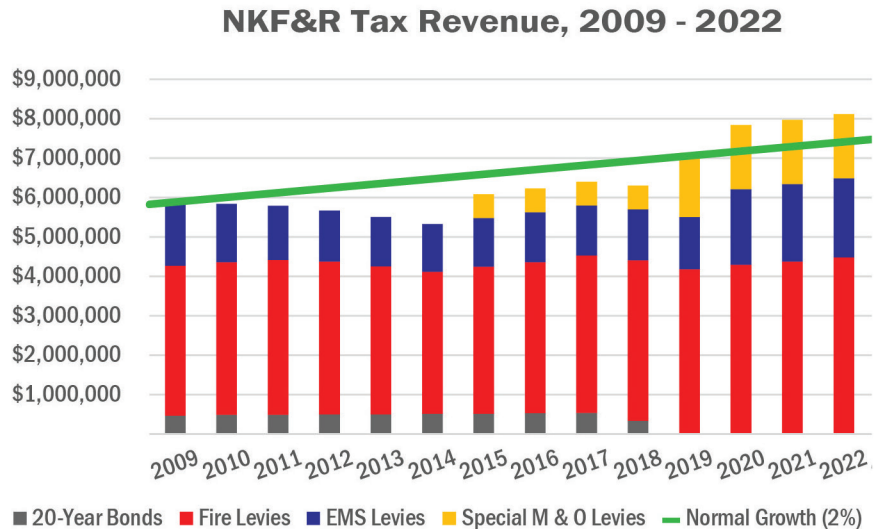
levy up to \$0.50 more to provide emergency medical response. The community has enthusiastically supported emergency medical services (EMS) levies since they were first introduced in the mid-1980s. Voters last reauthorized NKF&R's EMS levy in November 2019 for collection over six years, beginning in 2020.

2022	Assessed Valuation	Levy Rate	Amount Levied
<b>Fire</b>	\$4,612,264,757	\$0.970855	\$4,477,841
<b>M&amp;O</b>	\$4,566,963,908	\$0.354644	\$1,619,650
<b>EMS</b>	\$4,612,554,047	\$0.435285	\$2,007,778
<b>TOTAL</b>			<b>\$8,105,269</b>



## **Caps on Revenue from Existing Properties**

Due to voter-approved initiatives, the total amount collected from the fire and EMS levies cannot exceed 101% of the highest amount collected previously on a district's existing properties except under certain narrow circumstances. These caps are applied to each levy for each taxing district's total collection but each property owner experiences different increases or decreases due to variations in individual properties' assessed valuations and other factors. Generally, the total assessed valuation of properties in the fire district rises annually. Individual property taxes do not rise at the same rate because levy rates are adjusted downward to keep a district's total collections on existing properties within the 101% limitation.



During the real estate downturn that started in 2008, property values plummeted along with the amount of new construction. As the district's assessed valuations fell and expenses continued to increase, levy rates were raised to provide 101% of the previous year's total levy necessary to help meet rising costs. When the levy rates reached their respective statutory limits and property values continued to drop, the district took in less in tax revenues, too. With levy rates at their caps, property values decreasing and very little new construction, the district experienced annual reductions in tax revenues. By its lowest point in 2014, NKF&R's total assessed property valuation from \$805 million less than it was in 2009 and the district's budget was \$1.6 million less than it would have been with stable property values.

## **Impact of New Construction**

**Revenue from new construction added less than 0.05% to the district's 2022 total tax revenues.**

Despite the ensuing recovery, statutory limitations (the 101% lid) prevented the district from regaining sufficient lost revenue without voter approval. In the first year that a property comes onto the tax rolls, it is referred to as "new construction" and its taxes are calculated separately at the previous year's levy rate(s). In the first year, new construction tax revenue is not subject to the 101% limitation. In following years, instead of adding to a district's total revenue, the property's value is added to a district's total assessed valuation and all property owners' tax rates are adjusted downward to limit revenue to 101% of the highest previous total levy. In NKF&R's area, new construction still hasn't returned to its 2007 high of \$88 million. In 2022, new construction value was about \$51 million, adding about \$47,000 to the district's 2022 budget.



# **NORTH KITSAP FIRE & RESCUE**

## **Voter-Approved Funding**

So, in an effort to maintain levels of service after successive years of declining revenues and rising costs, the district proposed a special maintenance and operations (M & O) levy in November 2014. It was approved by 67% of voters, and added an annual \$600,000 to the district's budgets from 2015 - 2018. Even with the addition of these funds, the district's tax revenues remained well below what they would have been with normal (2%) growth in assessed valuations. The 2014 M & O levy expired at the end of 2018. Also in 2018, the district's 1999 capital bond issue was paid off. The bond funded capital projects including the 2001 construction of the headquarters fire station complex on Miller Bay Road and the satellite station on South Kingston Road.



*NKF&R's Suquamish facility is the oldest of the district's four staffed fire stations, originally built more than 60 years ago.*

In November 2018, the district proposed a replacement M & O levy which was approved by over 73% of voters. The measure authorized a special levy of \$1.6 million per year for four years, and also provided funds for apparatus replacement and facilities maintenance needs that couldn't be deferred any longer.



*To ensure that they remain reliable, fire engines and ambulances are regularly serviced in our apparatus maintenance facility and replaced near the end of their useful life. Some rigs become reserve units or are used for training purposes.*

This temporary levy expires at the end of 2022. Costs continue to rise at rates well above the 101% cap, and the district has additional capital needs including scheduled apparatus replacement as well as replacement of its Suquamish fire station which doesn't meet current earthquake standards. To provide for responder safety and maintain current levels of service, the district will ask voters to approve a replacement funding measure in the fall of 2022.

For more information about **NKF&R's funding and budgets**, contact Fire Chief Dan Smith (smith@nkfr.org or 360-860-8101), Assistant Chief Rick LaGrandeur (lagrandeur@nkfr.org or 360-860-8102) or Director of Administrative Services Katie Patti (patti@nkfr.org or 360-860-8120). Find out more about **NKF&R's 2022 ballot measure**, Proposition 1, by going to the district's website

at [www.nkfr.org/proposition-1-2022-restoration-of-fire-levy/](http://www.nkfr.org/proposition-1-2022-restoration-of-fire-levy/) or by reaching out to the contacts listed above. Learn more about **the one percent property tax levy limit** in Washington state at <https://dor.wa.gov/forms-publications/publications-subject/tax-topics/property-tax-how-one-percent-property-tax-levy-limit-works>

