**WhatComm/Prospect Capital Planning Committee Report**
May 24, 2022

Committee Members: Tyler Byrd, Forrest Longman and Scott Korthuis

Staff: Chief Dan McDermott and Alysn Everbeck

**OVERVIEW**

We divided our task into two separate issues:

1. **Funding of Equipment**. We recommend doing this by establishing a capital reserve account and fund that account annually by budgeting enough money to cover the major capital items. A reserve policy will need to be established and an escalator could be used to cover the increased cost over time for equipment needs. A table needs to be established that monitors the needs and age of equipment so over time the reserve does not become either over- or under-funded. Using the information we have today, we would have to budget around $220,000 per year to maintain sufficient funds in reserve. As we do not have a reserve, we would have to fund an additional $120,000 per year for 10 years to establish the reserve we recommend.

2. **Funding of a new WhatComm facility**. We recommend exploring the use of the Emergency Communications Sales Tax (RCW 82.14.420). Considerations include:

    a. Should the County pursue $^{1}/_{10}$ or $^{2}/_{10}$ of 1% sales tax? A $^{2}/_{10}$ tax could significantly reduce or eliminate user fees after construction of a new facility and/or provide for program expansion.
    b. If $^{1}/_{10}$ , should the tax be limited term or permanent? A sunsetting tax could pay for a new facility in 4-5 years. Rates would still continue to rise in the long term. A permanent $^{1}/_{10}$ tax could provide fee reductions in out years.
    c. If a new tax is supported by the Board, when should the County pursue the tax? This year will potentially have county-wide measures for the Emergency Medical Services (EMS) Levy renewal at 29.5 cents per $1,000 of assessed value and a levy lid lift for families and children. 2023 will likely have another $^{2}/_{10}$ of 1% tax for the proposed new jail. This suggests the earliest opportunity for this tax is 2024. The WhatComm Board needs to have a robust discussion on this timeline and make sure they are comfortable with this later date for the ask.

    Other methods considered for paying for this facility included:

    a. A levy lid lift
    b. Using the County's banked capacity
    c. Cash funding using American Rescue Plan Act (ARPA) or similar funds
    d. Having Bellingham bond the facility
    e. Or using Federal or State grants

**COMMITTEE MANDATE**

This sub-committee of the WhatComm Board was established to recommend a funding mechanism for future equipment and facility needs for WhatComm and Prospect.

**EQUIPMENT NEEDS**

We first considered the equipment needs of each facility and established a useful life, as well as how many useful years were left in the current equipment. Once this information was known the following table was put together to establish how much annual reserve is required and how much concurring annual expense should be incurred to maintain a healthy reserve.

| WHATCOMM | | | | | | |
|---|---|---|---|---|---|---|
| **EQUIPMENT** | **Cost to Update** | **Life (years)** | **Annual Reserve** | | **Age of current** | **Reserve Required** |
| **UPS** | 120,000 | 10 | 12,000 | | 7 | 84,000 |
| **CPE (Phones)*** | 550,000 | 6 | 92,000 | | 6 | 550,000 |
| **CAD Hardware*** | 200,000 | 6 | 33,000 | | 5 | 165,000 |
| **Radios*** | 125,000 | 6 | 21,000 | | 1 | 21,000 |
| **Recorder*** | 75,000 | 6 | 13,000 | | 1 | 13,000 |
| **Consoles** | 200,000 | 10 | 25,000 | | 4 | 80,000 |
| **Generator** | 280,000 | 25 | 11,000 | | 25 | 280,000 |
| **Total Equipment** | | | 202,000 | | | 1,193,000 |
| **PROSPECT** | | | | | | |
| **EQUIPMENT** | **Cost to Update** | **Life (years)** | **Annual Reserve** | | **Age of current** | **Reserve Required** |
| **UPS** | 16,000 | 10 | 2,000 | | 1 | 2,000 |
| **CPE (Phones)*** | - | - | - | | - | - |
| **CAD Hardware*** | - | - | - | | - | - |
| **Radios*** | | 6 | - | | - | - |
| **Recorder*** | | 6 | - | | - | - |
| **Consoles** | 160,000 | 10 | 16,000 | | 1 | 16,000 |
| **Generator** | - | 25 | | | - | - |
| **Total Equipment** | | | 18,000 | | | 18,000 |
| **Grand Total** | | | 220,000 | | | 1,211,000 |

**Table 1: Equipment Needs Funding**
***Indicates Shared Expenses Between What-Comm and Prospect**

The Committee recommends that we fund the $220,000 per year as a budgeted normal expense for the operation of the entities. To get an adequate fund balance, the Committee recommends that for the first ten years of this reserve fund, we add $120,000 per year so after ten years the fund will have adequate reserves.

**FACILITY NEEDS**

The current WhatComm facility has come to the end of its useful life. WhatComm continues to grow as the population in the county grows and there is increased demand on the services and personnel. The cost of a new facility is unknown, but it is thought to be in the $20 million range. This cost would cover a building that could house both WhatComm and Prospect should there be a desire to co-locate or consolidate these services.

All of these methods cover the facility cost, but do not answer who owns the facility. Currently, the City of Bellingham owns the WhatComm building. Using taxes generated by the entire county, the new facility would then be a county-owned entity. Another way to fund this is to have the City of Bellingham raise the annual cost of running the service to include a cost associated with buying the new building. If it is done this way, Bellingham owns the building once it is paid for. This policy question is left for the entire Board to discuss and resolve.

We discussed various ways to pay for this facility including:

1. Explore the use of the $^{1}/_{10}$ of 1% communication sales tax
    a. Use this on a short-term basis to pay for the facility
    b. Use this long-term and cover user fees as well as pay for the facility
2. Use the county's property tax banked capacity (1% growth that is in reserve)
3. Use a levy lift
4. Use ARPA money and pay for the facility, using population for the pro-rated cost to each entity or using call volume as the distribution method.
5. Bellingham Bonding the facility

After reviewing our options, the group decided that using the communication sales tax to pay for the facility would be the best option. A summary of each option follows.

**One tenth of 1% Communication Sales Tax**

The $^{1}/_{10}$ of 1% would generate approximately $4.9 million per year. We first looked at funding only the facility needs.

| **Communication tax rate:** | **0.1%** |
|---|---|
| Revenue Generated: | 4,880,000 |
| Facility Cost: | 20,000,000 |
| Interest rate: | 4.0% |
| Payoff period (years): | 5 |
| Monthly Payment: | 368,330 |
| Annual cost: | 4,419,965 |
| Annual overage: | 460,035 |

**Table 2: Short Term Communication Tax**

Table 2 reveals that funding a $20 million facility over 5 years would require about $4.4 million per year. This method would have the facility paid for in less than 5 years. There would be an overage of about $460,000 per year. These funds could be used to establish the equipment reserve account and augment user fees until the 5-year communication tax would expire. Using this method, the tax would sunset after 5 years.

Another way to use the communication tax would be to use it in perpetuity. Table 3 shows that paying the building off in 20 years would cost about $1.5 million annually.

| **Communication tax rate:** | **0.1%** |
|---|---|
| Revenue Generated: | 4,880,000 |
| Facility Cost: | 20,000,000 |
| Interest rate: | 4.0% |
| Payoff period (years): | 20 |
| Monthly Payment: | 121,196 |
| Annual Cost: | 1,454,353 |
| Annual Overage: | 3,425,647 |

**Table 3: Long Term Communication Tax**

This would leave about $3.4 million to fund 911 service operation.

If the Board decides to use the $^{2}/_{10}$ of 1% communication sales tax, an additional 4.9 million would be collected and this would be used to lower user fees.

Again, this presents a policy question that the Board must resolve: to weigh the willingness of the taxpayer to fund either a short-term capital need or a long-term capital and operational need.

**Levy Lid Lift**

The second option is a levy lid lift which requires approval from voters for an increase in property taxes.

| Facility Cost: | 20,000,000 |
|---|---|
| Interest rate on bond: | 4.0% |
| Bond payout period (years): | 20 |
| Annual payment: | 1,471,635 |
| County Assessed Value: | 43,157,475,969 |
| Mil rate: | 0.034099 |

**Table 4: Levy Lift**

Once again, the $20 million facility cost would be spread over 20 years generating an approximate $1.5 million annual payment. Using the county's assessed value of $43 billion we can calculate a mil rate of approximately 3.4 cents. This would calculate to $11.90 per year for a $350,000 home or $13.60 for a $400,000 home.

**County's Banked Capacity**

Each year Whatcom County is allowed to use its 1% property tax capacity. Historically, the County has not used this capacity and currently there is $3,559,000 available annually. If we assume we can finance the new facility over 20 years at 4%, the annual payment would be about $1.5 million. The County Council could approve using a little over 40% of this banked capacity to fund the new facility. Using this method, would require the same tax rate as a levy lift; $11.90 per year for a $350,000 home or $13.60 for a $400,000 home.

| | |
|---|---|
| Facility Cost: | 20,000,000 |
| Interest rate on bond: | 4.0% |
| Bond payout period (years): | 20 |
| Annual payment: | 1,471,635 |
| Banked Capacity: | 3,558,972 |
| Capacity required: | 41% |

**Table 5: Banked Capacity**

**American Rescue Plan Act (ARPA)**

All of the cities and the County received significant federal funding through the American Rescue Plan Act (ARPA). One way to build the new facility would be to allocate funds based on population. The following table shows the funds required from each entity based on current population.

| City/County | Population | ARPA Plan |
|---|---|---|
| **Bellingham** | 97,864 | $8,108,000 |
| **Blaine** | 6,135 | 508,000 |
| **Everson** | 3,048 | 253,000 |
| **Ferndale** | 15,986 | 1,324,000 |
| **Lynden** | 16,717 | 1,385,000 |
| **Nooksack** | 1,802 | 149,000 |
| **Sumas** | 1,639 | 136,000 |
| **County w/o Cities** | 98,206 | 8,136,000 |
| **Total** | 241,397 | $20,000,000 |

**Table 6: Direct Payment Facility Financing**

An alternate way to fund the facility would be based on call volume. Table 7 uses the distribution method WhatComm uses for user fees. This shifts more of the burden of the facility to the County as most of the Fire Districts are not associated with cities (except Bellingham and Lynden).

| Entity | Allocation |
|---|---|
| **Bellingham** | $5,782,000 |
| **Blaine** | 396,000 |
| **Everson** | 256,000 |
| **Ferndale** | 817,000 |
| **Lummi Law & Order** | 544,000 |
| **Lynden** | 764,000 |
| **Nooksack Tribal Police** | 150,000 |
| **Sumas** | 152,000 |
| **Whatcom County** | 11,139,000 |
| **Total** | $20,000,000 |

**Table 7 Allocation based on WhatComm distribution of fees**

These plans were deemed not viable by the Committee as Bellingham and the County already have designated uses planned for all their ARPA funds. It is interesting to review this information as it does show the correlation between population and facility cost or use and facility cost.

**Have Bellingham bond the facility**

The above scenarios assume the County will own the facility. We could have Bellingham bond the facility and they would then own it. The repayment of the bonds could be allocated using the existing allocation formula. One advantage of this method would be the potential to incorporate this facility with other facility needs for Bellingham and create a campus environment for City staff. However, this approach would result in significant increases to fees in addition to fee increases needed to maintain reserves. Table 8, below, shows the estimated annual increase for each entity.

| Entity | Additional Debt Fees |
|---|---|
| **Bellingham** | $425,000 |
| **Blaine** | 29,000 |
| **Everson** | 19,000 |
| **Ferndale** | 60,000 |
| **Lummi Law & Order** | 40,000 |
| **Lynden** | 56,000 |
| **Nooksack** | 11,000 |
| **Sumas** | 11,000 |
| **County, Fire Districts & Medic One** | 820,000 |
| **Total Bond Payment** | $1,472,000 |

**Table 8 Allocation based on WhatComm distribution of fees**

**Federal or State Grants**

To look for a Federal Grant to cover infrastructure improvement was another idea briefly discussed but not undertaken by this group. This Committee did not have the capacity to look for grant funds like this, but the current environment would suggest that some funds might be available. Such a search could be a task delegated to a grant writing firm if the County hires one.