



Administrative Services

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Board of County Commissioners

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Office of Financial Management

Staff Report & Budget Message Office of Financial Management Proposed Amended 2019 Budget Presented: December 4, 2018

Today we are presenting to the Board of Commissioners the proposed amended budget for fiscal year 2019. This budget reflects requests of County Elected Officials and Appointed Department Heads, recommendations from the Office of Financial Management and direction from the Board of Commissioners. The proposed budget provides a financial plan for County agencies to carry out programs and provide services for the citizens of Cowlitz County next year.

Process.

Budget review started earlier this year with distribution of the Budget Guidelines on September 4, 2018. Updated revenue estimates and expenditure requests were received on or about October 10, 2018. Workshops with Elected Officials and Department Directors were conducted in October and November. Personnel requests, new equipment and vehicles, technology, grants, mental health tax and revenues were discussed at public meetings throughout October and November 2018. On November 19, 2018 a public hearing was held by the Board of Commissioners concerning property taxes and levies for the County Road Fund, County General Fund, Mental Health and Veterans' Relief Fund. The document you have for consideration this morning represents the final product of all of those workshops and reviews.

Outlook

General Fund Revenue Summary:

General Fund revenues for 2019 are estimated to increase by approximately \$3.4 million compared to the 2018 amended budget. Approximately \$400,000 is predicted increase in Local Retail Sales & Use Tax, \$2.5 million increase is due to the Solid Waste Rent, \$700,000 is from Mental Health Tax transfers in to District Court for Community Court program, Cowlitz County Jail for two Corrections Officers, Juvenile Probation for a Mental Health Coordinator and a Mental Health Counselor, Drug Court for a Case Aide, and additional contributions to both Prosecuting Attorney and Office of Public Defense mental health services.

Property taxes have been established in accordance with state law increasing the amount by 1% over this year, with a declaration of substantial need. In addition, taxes were authorized on the value of new construction. The proposed General Fund budget also includes a shift of taxing capacity of \$2.2 million from the Road Fund to the General Fund.

Timber revenues and interest earnings are forecast conservatively though we have seen a slight increase in interest rates with an estimated \$60,000 increase for 2019. Revenues from federal and state grants are projected with very little increase and charges for service, which includes some court fees and charges are projected to be lower. Because we have not yet seen a significant improvement in revenues overall, expenses still exceed revenues.

Fund Balance Summary:

In order to maintain a fiscally sound budget and appropriate fund balance, the proposed budget is balanced using some cash reserves (working capital), leaving an estimated ending fund balance in the General Fund of 11.5% - \$7.2 million. The actual ending fund balance may be different if revenues or expenditures differ from current projections.

By policy, the County strives to maintain cash flow reserves (working capital) of 8.3% of expenditures. The preferred reserve is 10% - 12%. This means cash on hand should be equivalent to approximately one- to one and one-half months of expenses at all times. It is critical to maintain an appropriate level of working capital since it is used to pay monthly operating expenses when expenses exceed revenues, and it covers unexpected revenue shortfalls and emergencies.

Pending & Unknowns:

Items that may require the use of cash reserves, now or in the near term, include, but are not limited to: settlements with labor unions, LEOFF1 medical expenses, legal fees, unforeseen facility and technology needs, response to State and Federal budget adjustments, lead abatement at various gun ranges, bond payments if dedicated revenue sources fall short, emergencies and other unexpected expenses.

Capital Projects Summary:

The proposed budget includes funding for on-going building maintenance and repair and completion of projects. Anticipated expenditures include repairs and improvements at the Hall of Justice, Administration and Annex Buildings, Health Department, Morgue and Juvenile Center. Approximately \$9 million for these priority items are included in the proposed budget. The projects are funded with monies restricted for capital projects such as Real Estate Excise Taxes as well as a contribution of \$750,000 from the General Fund. The projects are presented in more detail in the Resolution for the Infrastructure and Physical Plant and Facilities Program approved by the Board of Commissioners on December 4, 2018.

Budget Comparison:

The document you have for consideration this morning proposes expenditures for 2019 as follows:

BUDGET SUMMARIES		
Fund	2019 Approved (12/2018)	2019 Proposed Amended
	Budget¹	Budget¹
A. General Fund	\$55,558,673	\$69,833,674
B. Special Revenue Funds ²	\$53,142,477	\$64,736,299
C. Bond Funds ³	\$4,792,876	\$7,374,072
D. Capital Projects ⁴	\$14,307,314	\$14,499,630
E. Enterprise Funds ⁵	\$70,414,833	\$72,368,195
F. Internal Service Funds ⁶	\$20,843,012	\$21,412,611
Total County Budget	\$219,059,185	\$250,224,481
<i>Footnotes:</i>		
¹ Includes Fund Balances (working capital/cash flow and reserves).		
² Reflects an increase in expenses in the Road Fund, Chemical Dependency/Mental Health, Health Department. Significant change is the increase due to reclassifying Rural Economic Development Funds and Title III Federal Forest Funds from Capital to Special Revenue Funds.		
³ Reflects an increase in bond funds, due to pass through funds for Three Rivers Regional Wastewater Authority and PFD.		

⁴ Reflects anticipated increase in real estate excise tax receipts dedicated to capital projects, but a decrease in Rural Economic Development Funds and Title III Forest Funds (reclassified as Special Revenue)	
⁵ Reflects increases in landfill closure and post closure funds and recognition of the new 911 sales tax for Communications Systems & Facilities tax.	
⁶ Reflects expenditures by Public Works for equipment (ER&R Fund), vehicle replacements for the Sheriff's Office and a continuing investment in technology improvements and upgrades.	
Fund Type Explanation	
A. General Fund/Current Expense	General government operations: For example: Courts, Jail, Auditor, Treasurer
B. Special Revenue Funds	Activities that have specific taxes, fees, grants to support them; For example: Road Fund, Health Department
C. Bond Funds	Debt payments (interest & principal) on borrowed money
D. Capital Projects	Construction, repair and maintenance of facilities
E. Enterprise Funds	Activities supported by user fees – generally utilities For example: Solid Waste, Water/Sewer
F. Internal Service funds	Operations that provide service to other county departments For example: Risk Management, Motor Pool, Technology

Expenditure Highlights:

The budget is submitted with the following assumptions and parameters:

- (1) The proposed budget includes the cost for current staff, as well as funding 22.5 FTE additional positions:

PERSONNEL					
Fund	Department	Position	Comments	FTE	2019
GF	Auditor	Cashier		1.00	X
GF	Sheriff	Deputy		1.00	X
GF	Prosecuting Attorney	Criminal Deputy Prosecuting Attorney		1.00	X
GF	Prosecuting Attorney	Legal Secretary		1.00	X
GF	OAS – Purchasing	PT Intermediate Office Assistant		.50	X
GF	OAS – Finance	Citizen Liaison	<i>Position eliminated</i>	-1.00	X
GF	Corrections/Jail	Correction Officer	Funded by Mental Health Tax	2.00	X
GF	Office of Public Defense	Public Defense Attorney		1.00	X
GF	Office of Public Defense	PT to FT Entry Office Assistant		.30	X
GF	Parks	Parks/Maintenance Worker		1.00	X
GF	Juvenile Probation	Mental Health Coordinator	Funded by Mental Health Tax	1.00	X
GF	Juvenile Probation	Mental Health Counselor	Funded by Mental Health Tax	1.00	X
GF	Superior Court Drug Ct	Case Aide	Funded by Mental Health Tax	1.00	X
GF	Community Long Range Planning	Deputy Prosecuting Attorney	10% CLRP/40% Building/Planning/50% PW	.10	X
GF	Community Long Range Planning	GIS Specialist III	50% CLRP/50% PW	.50	X
GF	Assessor	GIS Specialist III	Transferred position from GIS 2018	1.00	X
GF	Juvenile Detention	Program Manager	Approved during 2018	1.00	X
			Subtotal:	13.40	

Fund	Department	Position		FTE	
SR	Building & Planning	Sr GIS Specialist III	Transferred position from GIS 2018	1.00	X
SR	Building & Planning	Assistant Land Planner		1.00	X
SR	Building & Planning	Laserfiche Specialist		1.00	X
SR	Building & Planning	Deputy Prosecuting Attorney	10% CLRP/40% Building/Planning/50% PW	.40	X
SR	GIS	GIS Specialist II	<i>Transferred to Assessor in 2018</i>	-1.00	X
SR	GIS	GIS Specialist III	<i>Transferred to Building/Planning 2018</i>	-1.00	X
SR	GIS	GIS Technician	<i>Eliminated from 2018 Budget (Funding: Building & Planning)</i>	-1.00	X
SR	Roads – PW	Deputy Prosecuting Attorney	10% CLRP/40% Building/Planning/50% PW	.50	X
SR	Roads – PW	Accountant	Approved during 2018	1.00	X
SR	Roads – PW	Finance Manager	Approved during 2018	1.00	X
SR	Roads – PW	GIS Specialist III	50% Building/Planning – 50% PW	.50	X
SR	Prosecuting Attorney – Victim Witness	Legal Secretary	Grant Funded	1.00	X
SR	Prosecuting Attorney – Victim Witness	PT to FT Entry Office Assistant		.20	X
SR	Human Services	Behavior Health Program Liaison	<i>Position eliminated</i>	-1.00	X
SR	Human Services	Care Manager	<i>Position eliminated</i>	-1.00	X
ENT	911 Communications	HR Manager		1.00	X
ENT	911 Communications	Dispatcher		1.00	X
ENT	911 Communications	Executive Director	Approved during 2018	1.00	X
ENT	Solid Waste	Operator III		2.00	X
INT	Information Technology	Entry Account Clerk		1.00	X
INT	Information Technology	ERP Business Technical Manager		1.00	X
			Subtotal:	9.10	
			Total:	22.5	

(2) The proposed expenditures include the following cost of living adjustments

Union / Group	COLA
Elected Officials (Set by Citizens' Salary Commission)	Based on Superior Court Judges
Management & Non-Represented	2%
Courthouse Union	2%
Corrections Officers Guild	2%
Corrections Clerical & Cooks	2%
Corrections Sergeants	Pending negotiations
Emergency Services	Pending negotiations
Sheriff's Support Specialists Guild	2%
Sheriff Deputies/Sergeants Guild	2%
Health	1%
Roads	2%

(3) Step increases have been included for personnel who are not yet at the top of their range and in accordance with personnel schedules and union contracts. Discretionary steps for Deputy Prosecuting Attorneys and attorneys in the Office of Public Defense (OPD), as recommended by the Prosecutor and Director of OPD, if any, have been included in the proposed budget.

(4) The maximum health and welfare employer contribution for 2019 is \$1,450/month/employee unless otherwise negotiated. For labor groups without settled contracts, the amount remains to be negotiated.

(5) The County's obligation for the state retirement program is fully funded as required by law with rates adjusted to conform to those proposed by the State Actuary. Employer contributions range from 6.9% to 16.6% depending on the plan requirements.

(6) A Salary Survey has been approved for non-represented, non-overtime eligible employees and pending negotiations with union representatives who are eligible.

Revenue Highlights:

Revenues have been forecast based on historical as well as current trends especially and carefully considering the current state of the economy. Timber revenues and interest earnings are forecast conservatively. Sales tax estimates are currently increasing, anticipating continued activity in the construction sector and an expectation of continued improvement in retail sales with an improving economy. Revenues from federal and state grants are projected with little to no increase and charges for service which includes some court fees and charges are projected to be lower.

Specific details for each Department and Fund are presented in the Budget Resolution and in detail in the recommended budget package.

General Fund Draw on Working Capital:

The proposed 2019 County General Fund expenditures total \$62.6 million with an estimated ending fund balance of \$7.2 million. Anticipated revenues for 2019 are approximately \$57.7 million and an estimated beginning fund balance of approximately \$12.1 million.

Significant Impacts on Expenditures:

Significant impacts on expenditures were seen in Superior Court and District Court Judges wages anticipating a 12.7% increase during 2019, which ties to the Prosecuting Attorney, Sheriff and Elected Officials wages. The Jail medical contract increase, replacement of major kitchen equipment needed in the Jail, PERS retirement increase from 12.835% to 12.97% for employers, 27% property insurance increase, new unfunded mandate of Paid Family Medical Leave, new methodology used for workers compensation, health care increases, motor pool funding, radio replacement funding, and overall contract increases such as Office of Public Defense contracted attorneys and Jail increases on drugs and hospital contracts.

Items Pending or Requiring Further Review:

Continuing discussions with County Assessor regarding junior taxing districts
Impacts of changes in Washington State budget – upcoming legislative session pending
Impacts of changes in Federal budget - Congressional actions pending.

Recommendation:

Options for the Board of Commissioners include:

- Approve the budget as presented.
 - Further amendments and adjustments, if needed can be made throughout next year.
- Approve the budget as presented, but direct staff to make modifications with corrected documents to be presented to the Clerk of the Board.
- Continue to the Public Hearing to allow time for further consideration and discussion.