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1 WHATCOM COUNTY COUNCIL  
2 **Finance and Administrative Services Committee**  
3

4 November 9, 2005  
5

6 Committee Chair L. Ward Nelson called the meeting to order at 11:00 a.m. in  
7 the Council Chambers, 311 Grand Avenue, Bellingham, Washington.  
8

9 Present:

10 Sam Crawford

11 Sharon Roy  
12

Absent:

None

13 Also Present:

14 Seth Fleetwood

15 Dan McShane

16 Laurie Caskey-Schreiber

17 Barbara Brenner  
18  
19

20 **COMMITTEE DISCUSSION AND RECOMMENDATION TO COUNCIL**  
21

22 **1. ORDINANCE AMENDING THE 2005 WHATCOM COUNTY BUDGET,**  
23 **ELEVENTH REQUEST, IN THE AMOUNT OF \$110,880 (AB2005-418)**  
24

25 *Nelson moved* to recommend approval to the full Council.  
26

27 *Motion carried unanimously.*  
28  
29

30 **COUNCIL "CONSENT AGENDA" ITEM**  
31

32 **1. REQUEST AUTHORIZATION FOR THE EXECUTIVE TO APPROVE THE**  
33 **AWARD OF BID #05-77 FOR CONSTRUCTION OF THE JAIL WORK**  
34 **CENTER AND TRIAGE CENTER, TO LOW BIDDER, IMPERO**  
35 **CONTRACTING, AS WELL AS ENTER INTO A CONTRACT WITH IMPERO**  
36 **CONTRACTING FOR THIS WORK, IN THE AMOUNT OF \$7,467,285**  
37 **PLUS THE COST OF BACKFILL REPLACEMENT AND WATER VAPOR**  
38 **EMISSION CONTROL SYSTEM (AB2005-420)**  
39

40 Crawford stated all the bids were close.  
41

42 Dewey Desler, Deputy Administrator, stated the administration worked on  
43 new construction contract format. A well constructed contract will guide  
44 expenditures. The administration will use the same contract format on other  
45 issues.  
46

47 *Roy moved* to recommend approval to the full Council.

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*Motion carried unanimously.*

2. **REQUEST AUTHORIZATION FOR THE EXECUTIVE TO ENTER INTO A CONTRACT BETWEEN WHATCOM COUNTY AND CATHOLIC COMMUNITY SERVICES RECOVERY CENTER TO PROVIDE FAMILY SUBSTANCE ABUSE PREVENTION SERVICES, IN THE AMOUNT OF \$20,000 (AB2005-421)**

*Crawford moved* to recommend approval to the full Council.

*Motion carried unanimously.*

3. **REQUEST AUTHORIZATION FOR THE EXECUTIVE TO ENTER INTO THE FIRST AMENDMENT TO AN INTERLOCAL JOINT MANAGEMENT AGREEMENT BETWEEN WHATCOM COUNTY AND THE CITY OF BELLINGHAM TO CLARIFY THE DUTIES AND RESPONSIBILITIES REGARDING MAINTENANCE AND MONITORING OF THE ON-SITE DAM ON THE PROPERTY COMMONLY REFERRED TO AS THE "ANDERSON PROPERTY" (AB2005-422)**

Dewey Desler stated there is an earthen dam that needs maintenance. It holds in the pond. It was constructed decades ago. If not maintained, there will be problems for folks downstream.

*Nelson moved* to recommend approval to the full Council.

*Motion carried unanimously.*

4. **REQUEST AUTHORIZATION FOR THE EXECUTIVE TO ENTER INTO AMENDMENT #1 TO THE CONTRACT BETWEEN WHATCOM COUNTY AND PACIFIC SOFTWARE ASSOCIATES TO PURCHASE AN UPGRADED BACKUP SYSTEM FOR THE NEW I SERIES SERVER, IN THE AMOUNT OF \$38,658.77 FOR A TOTAL CONTRACT AMOUNT OF \$359,443.39 (AB2005-423)**

*Crawford moved* to recommend approval to the full Council.

*Motion carried unanimously.*

5. **REQUEST AUTHORIZATION FOR THE EXECUTIVE TO ENTER INTO A LEASE AGREEMENT BETWEEN THE WHATCOM COUNTY SHERIFF'S OFFICE AND RON AND ANNE CRUTCHER TO SECURE OFFICE SPACE FOR THE DRUG TASK FORCE, IN THE AMOUNT OF \$1,625 PER MONTH (AB2005-424)**

*Nelson moved* to recommend approval to the full Council.

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1  
2 Roy stated that amount seems high. She asked the amount of square  
3 footage and if anything is cheaper.

4  
5 Dewey Desler, Deputy Administrator, stated he doesn't know the square  
6 footage. A number of staff works out of that location.

7  
8 Nelson stated at least six or seven people work out of the space.

9  
10 Desler stated this amount was never an issue. The true cost is partially  
11 subsidized by the owners.

12  
13 Nelson stated he would like to know the square footage.

14  
15 Crawford stated the company he works for is currently leasing about 1,500  
16 square feet for a cost of about \$1,400, which is on the low end. If it is nice office  
17 space, the price range is correct.

18  
19 Desler stated it is not just office space. It also includes vehicle storage. It  
20 contains an entire operation.

21  
22 ***Motion carried unanimously.***

23  
24  
25 **OTHER BUSINESS**

26  
27 **COUNTY FUND CASH BALANCE REPORT PRESENTED BY WHATCOM**  
28 **COUNTY TREASURER BARBARA CORY (AB2005-017)**

29  
30 Dewey Desler, Deputy Administrator, stated this is background information  
31 for the presentation by Treasurer Cory to the full Council at this evening's Council  
32 meeting.

33  
34 Nelson asked the intent of bringing this forward two weeks ago.

35  
36 Barbara Cory, County Treasurer, stated the Administrative Finance  
37 Committee has been talking about cash balances. The committee invests those  
38 balances on behalf of the County. The investment earnings are a sizeable source of  
39 revenue for the County. The committee had concerns about cash balances. The  
40 information it received regarding cash balances was different from what they saw in  
41 the reports. She talked with Councilmember Caskey-Schreiber about it. They  
42 talked about several different funds, not just the general fund. Councilmember  
43 Caskey-Schreiber thought the Council would be interested in the presentation, and  
44 asked her to make a presentation.

45  
46 Nelson asked if the presentation is just on fund balances. Cory stated she  
47 would talk about cash, cash balances, and related policies.

1  
2 Nelson asked what questions Treasurer Cory has for the Council regarding  
3 fund balances. Cory stated that would be a part of her discussion this evening.  
4 There are policies related to fund balances. A question is how to better predict  
5 what their fund balances will be. The prediction is for declining cash balances.  
6 However, the Treasurer's Office is seeing increasing cash balances. They should set  
7 polices on reserves and tie money to capital projects so the citizens know exactly  
8 how the County is going to use those funds. That is the general focus of her  
9 presentation to the Council.

10  
11 Nelson stated the policies related to the funds are established by Council  
12 legislative action. Cory stated the reports have been good for the Council and  
13 departments. However, the cash or fund balance information is missing. There are  
14 increasing balances, which is different from the predictions.

15  
16 Desler stated that when the County collects \$3 million per year in interest  
17 earnings, the administration wants to maximize it. The administration coordinates  
18 efforts and shares information as best as they know how about the expenditures  
19 that will occur, to allow Treasurer Cory to maximize her investments. That will be  
20 positive for everyone. They like to work with Treasurer Cory. There are many  
21 issues to face about capital expenses that are large deferred expenditure issues.  
22 The organization hasn't made those decisions yet. They're being conservative. The  
23 cash balance needs to be looked at with other financial information in the system.

24  
25 Debt is another key issue. In some cases, cash can be used to buy down  
26 debt. The administration wanted to discuss those larger debt policy issues when it  
27 understood the full construction cost of the jail and the result of the vote on  
28 emergency medical services (EMS).

29  
30 Nelson stated both sides are important to understand, and he doesn't want  
31 to hear just one side of the story.

32  
33 Desler stated he held up Treasurer Cory's report two weeks ago so he could  
34 give the Council an overall update on the County's finances. It was designed to  
35 provide better information that shows both cash balances and other information.

36  
37 Cory stated she will talk about her information at the evening meeting. Her  
38 report is on cash balances, which isn't the whole point of what she is going to talk  
39 about. The point is more about the fiscal policies related to cash balances.

40  
41 Fleetwood asked if tonight is only a presentation or includes a policy  
42 discussion. Cory stated it is just a presentation. She will bring up policy issues the  
43 Council should discuss at some point.

44  
45 Desler gave a Power Point presentation (*on file, exhibit A*). He read the  
46 presentation about the general fund.

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1 Fleetwood asked for clarification on the term 'working capital.' Desler stated  
2 working capital is having enough money in the bank to make sure they can make  
3 payroll or meet other expenses for professional services. They have to have the  
4 money in the bank to cover those checks.  
5

6 He continued to read the presentation on the general fund. They anticipated  
7 the fund balance would be reduced by about \$2.4 million for one-time expenses.  
8 He also included the lapse, which is the money not expended the previous year, in  
9 the balance sheet. He built the revenue projections in July and August of the  
10 previous year. The revenue projections are built on data in March and April. Those  
11 projections become stale over time and must be adjusted and updated. He gave  
12 examples of which revenue sources were either higher or lower than anticipated.  
13 As of today, the 2005/2006 budget is looking at a \$400,000 reduction in general  
14 fund reserves instead of a reduction of \$2.4 million. That's positive.  
15

16 He continued the presentation on general fund future issues.  
17

18 Caskey-Schreiber asked if the Public Employee Retirement System (PERS)  
19 contribution is only for PERS II employees. Desler stated it affects PERS I, PERS II,  
20 and Law Enforcement Officer and Fire Fighter (LEOFF) employees.  
21

22 He continued the presentation on more general fund future issues.  
23

24 Caskey-Schreiber stated the phone system has been a big issue for a lot of  
25 departments. She asked if they are really going to act on that problem so they  
26 don't have to deal with those problems in the future. Desler stated staff is working  
27 on it. It has to be acted on within the framework of all the other competing  
28 demands. There is better service at lesser cost by looking at a replacement phone  
29 system.  
30

31 Caskey-Schreiber stated that if there is any kind of surplus at all, it might be  
32 an opportune time to consider the problem. Desler stated that in some of these  
33 cases, they may look at extending the cost of something over a number of years  
34 through bonding. Taxpayers are experiencing the benefits of a stronger and better  
35 technology.  
36

37 He's been working with the Assessor and Treasurer to improve the existing  
38 database that supports much of what they do. It's a 20-year old system. In the  
39 long-term, it won't be capable of supporting Whatcom County. They have to start  
40 thinking of an investment of \$1 million to \$1.5 million to last for another ten or 15  
41 years.  
42

43 He completed the presentation slide regarding general fund future issues.  
44 The organization will consider addressing revenues and expenditures carefully in  
45 the future. He read the presentation regarding the real estate excise tax (REET).  
46

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1 Caskey-Schreiber asked if some of the REET funds would be used on the  
2 updated park plan. Desler stated parks, trails, and open space will be funded in  
3 part from REET.

4  
5 He continued the presentation on the public utilities fund.

6  
7 Caskey-Schreiber asked if they know for what the remainder of the  
8 uncommitted funds will be used. Desler stated they have ideas he will discuss.  
9 There are no active applications now, but there will be. He has examples of where  
10 it could be used. He welcomes feedback from the councilmembers.

11  
12 He continued the presentation on the administrative services fund, the  
13 equipment revolve and rental (ER&R) fund, the road fund, and the flood fund.

14  
15 He handed out the actual and projected general fund revenues, expenses,  
16 and fund balances based on the most current data, from 2003 through 2010 (*on*  
17 *file, exhibit B*). The Council needs to have this updated annually, if not more  
18 frequently. The administration doesn't intend to put the new EMS funding into the  
19 general fund. They will put two-thirds of the EMS funding and a portion of the  
20 general fund into an emergency services fund. One-third of that new EMS revenue  
21 will be included in the general fund because it will go for law and justice support.  
22 He just got word that Whatcom County will get \$350,000 for border related costs.  
23 It is a one-year appropriation from Congress. It allows them to extend the existing  
24 rapid border prosecution initiative until the end of 2007 instead of the end of 2006.

25  
26 *(Clerk's Note: End of tape one, side A.)*

27  
28 Crawford stated the expenses for 2005 increases by \$5.5 million in one year.  
29 Desler stated the increased expense is mostly for one-time capital expenses.

30  
31 Brad Bennett, Finance Division Manager, stated there are many one-time  
32 projects in 2005. He listed some of the projects.

33  
34 Brenner asked why they didn't have the one-time expenses planned for  
35 several years. Desler stated they have focused more work in 2005 because the  
36 work needs to be done. There are a number of other projects lined up. They're  
37 trying to get to a point where they can do a project-based focus in the budget, so  
38 they don't see large one-time expenses only one year. Projects would be budgeted  
39 for several years.

40  
41 Bennett stated a lot of the larger projects take multiple years to get done. If  
42 the Council adopts a budget that is an annual budget, including multi-year projects,  
43 it's difficult to project. Large amounts of money tend to lapse. They aren't good at  
44 predicting how much they will spend in one year. The code allows for a project  
45 budget, which goes on until the project is complete or not worked on for three  
46 years. That way, they don't have to mess with it again unless something changes.  
47 The Council would adopt the project budget once.

1  
2 Desler stated the administration is still developing this idea.

3  
4 Brenner asked if the bump is because they are allocating for project  
5 budgeting, but the work will carry over into other years. Desler stated that is  
6 correct.

7  
8 McShane stated the idea is to create something like a temporary fund so the  
9 Council doesn't have to keep seeing it. He asked if that is correct. Bennett stated  
10 it is correct. There are some details in reporting to the Council. The administration  
11 will have to incorporate project budgets into a cash flow projection. However, he  
12 envisions adopting a project budget without having to revisit it every year. The  
13 current method isn't the best of keeping track of project costs and how the budget  
14 is allocated. They end up re-budgeting a lot of stuff.

15  
16 Brenner asked if the Council is going to see requests for future increases.  
17 Councilmembers can't count on these numbers if there will be other requests for  
18 increases.

19  
20 Nelson stated the Council may see future changes. These numbers won't  
21 stay the same.

22  
23 Desler stated larger one-time expenses might be considered in terms of their  
24 bonding capacity. Then the County will have regular bond payments to meet.

25  
26 By adding revenue without additional expenses to the balance sheet will  
27 allow them to raise the ending funding balance. However, the courts and sheriff  
28 will ask for some of that money. There is still a downward trend, but it's a little  
29 better. If they recalculate the expenses to not spend as much, it will also allow the  
30 fund balance to rise. The Council's policy is to keep a 15 percent fund balance,  
31 which is a little less than \$10 million.

32  
33 Roy stated that when they talk about the fund balance, it's an amount the  
34 organization feels comfortable holding onto. However, they are also spending those  
35 reserves. To maintain the current budget, they are spending reserves. The public  
36 is really confused about that. In order to operate now, the County spends reserves.  
37 Desler stated spending reserves is a legitimate thing to do.

38  
39 Roy stated it is legitimate, but it's confusing to the public. It implies there is  
40 extra money set aside working for the County. That is not true. The County is  
41 spending that money to maintain the current level of service. Not everyone knows  
42 that.

43  
44 Desler stated government finance is complicated. It's a lot of money. There  
45 are a lot of changing amounts. The County can use its reserves. They've tried to  
46 use the reserves to balance the ebb and flow of different revenues, to pay for large  
47 one-time expenses, and to cover some of the future challenges with shortfalls in

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1 revenues. They make few adjustments in fees for services. There is a downward  
2 trend in the revenue, but they can adjust expenditures and revenue to maintain a  
3 balanced budget.

4  
5 Nelson stated the Treasurer brought up interest earnings on fund balances.  
6 He indicated that line on the budget worksheet. The media thought the County had  
7 all this extra money, based on the information on that one line in the budget.  
8 However, the public should be interested in the bottom line, which is the ending  
9 fund balance.

10  
11 Brenner asked if they can take the medic one expense line and move it to the  
12 revenue, now that it appears the public voted for the new EMS funding.

13  
14 Desler stated the County will still expend the money out of the general fund.

15  
16 Caskey-Schreiber stated they will save it with law enforcement costs. They  
17 will get some help there. Desler stated the County will receive \$291,000 in 2006,  
18 when the tax begins to come to the County.

19  
20 He indicated the affect to the total budget from increased expenses,  
21 changing revenue sources, and fee adjustments regarding the Planning and  
22 Development Services Department, Superior Court, Sheriff, and other programs (*on*  
23 *file, exhibit C*).

24  
25 Nelson asked if the County's interest earnings will change much due to the  
26 increased revenue from the EMS funding. Desler stated the EMS funding won't  
27 accumulate long enough to earn interest on it. It is money in, money out. As the  
28 fund balance goes down, the interest earnings will go down. However, interest  
29 from other funds goes into the general fund.

30  
31 Crawford stated the administration has always projected a declining fund  
32 balance, but they are doing okay with the balances. The administration has been  
33 an excellent steward of taxpayer dollars. The administration is constantly vigilant  
34 over those dollars. He asked why they are again ending up with declining  
35 projections, and what will be different. Desler stated there have been solid tax  
36 revenues in the past few years. Whatcom County is in a pretty good situation now,  
37 compared to other places in the state. At other times, there was a mild recession  
38 in Whatcom County while other places experienced a boom. They should expect to  
39 spend more of the fund balance on projects that represent an expansion. They  
40 should start to spend down the fund balance more, work on revenues, and keep the  
41 fund balance in the range of \$10 million to \$12 million. The fund balance is high  
42 now. The administration proposes to do things that will maintain an adequate level  
43 that will sustain core levels of service and not require employee layoffs. In the last  
44 few years, they have been careful about expenses. He is going through this  
45 exercise to show the Council how this happens.

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1 Roy stated she commends the administration for the position the County is  
2 in, which is having some extra money instead of being in a hole. They may not be  
3 in this boom forever. Desler stated the State legislature has the authority to raise  
4 revenue. The County is more limited in the revenue it can raise.  
5

6 Desler indicated a handout (*on file, exhibit C*) with a list of capital projects  
7 about which they must be thoughtful. These are the things the administration is  
8 starting to figure out. They must figure out how to accomplish these projects,  
9 when, and with what resources. The administration will engage Treasurer Cory in  
10 these discussions.

11  
12 Brenner stated make sure the misconceptions of the public get cleared up.  
13

14  
15 **ADJOURN**

16  
17 The meeting adjourned at 12:25 p.m.  
18  
19

20  
21 \_\_\_\_\_  
22 Jill Nixon, Minutes Transcription  
23

24 ATTEST:

WHATCOM COUNTY COUNCIL  
WHATCOM COUNTY, WASHINGTON

25  
26  
27  
28  
29 \_\_\_\_\_  
30 Dana Brown-Davis, Council Clerk

\_\_\_\_\_  
L. Ward Nelson, Committee Chair