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WHATCOM COUNTY COUNCIL
Special Committee Of The Whole

June 10, 2008

Council Chair Carl Weimer called the meeting to order at 9:05 a.m. in Room 513, 311 Grand Avenue, Bellingham, Washington.

Present:

Barbara Brenner
Bob Kelly
Sam Crawford
Seth Fleetwood
Laurie Caskey-Schreiber
L. Ward Nelson

Absent:

None

1. DISCUSSION WITH THE ADMINISTRATION REGARDING 2009-2010 BUDGET PREPARATION (AB2008-227)

WELCOME/INTRODUCTIONS

Budget Timelines

Dewey Desler, Deputy Administrator, explained the biennial budget process. The timeline is on page two of the packet. The budget is one of the key policy documents of the County. The Council-approved objectives from the last budget cycle are included in the packet, also.

He hopes there is interaction today among the Councilmembers and key administrative personnel. He will explain how the County stands financially. He hopes they will finalize budget guidelines for the next two years and review the additional services request format.

REVIEW 2007/2008 OBJECTIVES

and

WRITTEN DEPARTMENTAL REPORTS ON ACCOMPLISHMENTS AND PROGRESS DURING THE 2007/2008 BUDGET PERIOD

Nelson stated some departments have done well outlining goals and objectives they wish to accomplish above what they do currently. Other departments are listing their current job duties. He would be interested in knowing the existing job descriptions and the goals and objectives for the next biennium. He wants to know what important things they want to change in County government. Some of the information is more about job descriptions.

Crawford asked if the information is from two years ago, and if the department directors will update the information. Desler stated they will. This material is a source of reference for the councilmembers. The departments will provide a series of reports on their accomplishments on their objectives.

1 Crawford stated he doesn't see anything in the department guidelines about planning
2 for a new jail facility. Given that is one of the biggest tasks that lies ahead for the County
3 in the next decade, the steps to accomplish it should be broken down somewhere. The
4 components should be incorporated into various department work plans. Desler stated
5 there is a very detailed work plan on a new jail. When they get to some of the key goals
6 and issues for 2009 and 2010, a key issue will be the jail siting program.
7

8 Brenner stated the biennial budget isn't working well for her. Information gets
9 dated. The Council sets money aside at budget time. That isn't a guarantee of expenditure,
10 but that's what it turns into. Go back to the annual budget process. Desler stated there are
11 advantages to a biennial budget, listed in his letter in the packet. Many jurisdictions are
12 going to a biennial budget. It's been a successful tool for conducting business. It provides
13 for real long-range thinking throughout the County.
14

15 Much of the budget is the same from year to year. Building the budget takes a lot of
16 time from the departments. During off-budget years, staff can focus on implementing
17 department goals.
18

19 One challenge with a biennial budget process is trying to accurately predict
20 revenues. The administration proposes a meeting in December 2009 to go over revenues
21 and expenses and reaffirm the key directions and accomplishments for the following year.
22 They have not done that before. Developing a biennial budget is more effective for
23 Whatcom County.
24

25 Weimer stated many councilmember concerns with a biennial process are about
26 whether the Council gets a second opportunity to review the budget and change things.
27 He's also asked for a legal opinion on whether the Council can amend the budget. Another
28 legal question is whether they need to reauthorize the biennial budget process.
29

30 Caskey-Schreiber stated she wants to avoid a scenario where the Council hears from
31 department directors on the final budget night about additional funding for certain projects.
32 Have another meeting where the entire Council gets to hear from the departments about
33 something they feel strongly about. Do that ahead of time, and not have 12th hour deadline
34 requests for changes. Incorporate that into the timeline.
35

36 Second, she would like to see the unfunded additional services requests (ASR's).
37 Desler stated the administration has always provided information on unfunded ASR's. Also,
38 the Council is responsible for it's own schedule.
39

40 Caskey-Schreiber stated it seems that department directors who want something
41 specific want to make a request during a public, evening meeting.
42

43 Crawford stated he agrees it happens every time, but it is always to do with staffing
44 levels in criminal justice and courts. Create a subgroup of criminal justice representatives
45 to talk about staffing levels some time this summer.
46

47 Caskey-Schreiber stated that may help, but they can't give feedback until they see
48 what the Council is tentatively approving. It should be closer to the end of the process.
49

50 Crawford stated the biennial budget system works well. The biggest downside is the
51 size of the supplemental budget requests get bigger during the second year of the cycle.
52 However, that downside is not as big a negative as going through the process annually. The
53 process is a huge responsibility. Going through the process every two years saves time.

1 Desler stated there are significant adjustments in the second year, most often capital
2 projects that weren't ready to bring forward during the first year. They are trying to predict
3 those expenses in advance as much as possible. They are developing a project budget
4 process. They do need to add revenue to the budget, also. He reviewed the large
5 adjustments that have been made in the past.
6

7 Weimer stated the objectives reports and review is helpful. The County
8 accomplishes an amazing amount during a two-year period.
9

10 **REVIEW KEY GOALS AND ISSUES FOR 2009/2010**

11 Desler stated he hopes this is a time for reflection. The items listed are not in
12 priority order. He summarized each key goal and issue for 2009/2010.
13
14

15 Brenner asked if they can use grants for capital projects if they do all the needed
16 computer upgrades at the same time. Desler stated they possibly could.
17

18 Shirley Forslof, Auditor, stated they need to make sure the Auditor's Office can
19 interface with the new Assessor-Treasurer system.
20

21 John Romaker, Assessor's Office, stated the service provider for the Treasurer-
22 Assessor computer system has put the County on notice that it will no longer provide
23 support.
24

25 Steve Oliver, Treasurer, stated they are negotiating an agreement with the vendor to
26 continue to support the system during this transition period, for another two years.
27

28 Perry Rice, Administrative Services Department, stated they are studying the
29 integration aspect of the systems right now.
30

31 N.F. Jackson, Superior Court, stated the list of key goals and objectives for
32 2009/2010 is not complete. None of the departments have yet articulated their goals and
33 objectives for 2009 and 2010.
34

35 Desler stated that is correct. These items have come up in talks with the Council.
36 Other things may come up.
37

38 Weimer stated he would like to hear today any other issues that are on par with the
39 issues on the list.
40

41 Jackson stated that's part of the budget process, to prioritize those goals and
42 objectives and articulate them in the budget process.
43

44 Weimer stated the Council often isn't part of the prioritization process early on. The
45 councilmembers would like to hear that information earlier in the process.
46

47 Desler continued to describe the key goals and issues for 2009 and 2010.
48

49 Nelson asked if the County is considering the cost of training staff when it upgrades
50 or switches to new computer systems.
51

52 Brad Bennett, Administrative Services Department, stated they are. They will take
53 advantage of many new features and functions in the JD Edwards system.

1
2 Nelson stated there are systems on the market that are more costly, even though
3 they are better than an old system, because of labor and training costs. Make sure they are
4 aware of those extra costs that go beyond just putting in a new system.
5

6 Brenner stated computers were supposed to save time and paper storage costs.
7 She's not seeing that. There's got to be a savings somewhere. She would like to see those
8 savings.
9

10 *(Clerk's Note: End of tape one, side A.)*
11

12 Desler stated they are improving capacity and services and reducing space needs.
13 They have to be wise enough to implement those things that really create savings.
14

15 Jackson stated Superior Court got rid of 24 tons of paper. They no longer pull a file
16 off a shelf 75,000 times per year. That's considerable savings in labor. Using electronic
17 records, their customers are self-serving.
18

19 Desler stated they hope to be a paperless organization over time. Those savings can
20 be shown in the ASR format.
21

22 Brenner stated she agrees with the cost, but they still have to demonstrate the
23 financial offsets, such as using less space and labor. She agrees with the upgrade, but they
24 must show the savings at the same time.
25

26 Nelson stated they need to clarify what the different levels of service actually mean
27 to the public, in terms of Lake Whatcom.
28

29 Weimer stated they have asked the administration to define what is served under a
30 range of options.
31

32 Desler continued to discuss goals to reduce fuel consumption.
33

34 Brenner stated set the hot water down to a lower temperature.
35

36 Nelson stated outline a specific target for departments to reduce their fuel
37 consumption.
38

39 Desler continued to discuss goals regarding jail siting.
40

41 Crawford asked about rehabilitating the Civic Center building. Desler stated one
42 option is to rehabilitate the third floor, and then move staff there to reduce lease payments
43 elsewhere. There are worn out facilities. Avoid failures in the organization by focusing too
44 hard on expanding services. The best way to address facilities needs is to budget each year
45 for it, just like they do with the equipment rent and revolve (ER&R) fund. Set money aside
46 so when there is a need for a new facility, the funding is there. If they are going to get out
47 of that cycle of having to find money for large capital expenditures when buildings fail, they
48 must have a more business-like way of addressing failures.
49

50 This organization has tried to save money in the past by deferring maintenance.
51 That is just a way of pushing the cost off to future generations. Avoid that as much as
52 possible.
53

1 Fleetwood stated they need to question the assumptions that are the base for
2 deciding how big and what kind of jail they need. They may need to look at it from a
3 different perspective of altering sentences that would affect the jail needs.
4

5 Dave McEachran, Prosecutor, stated one problem is that penalties are set by the
6 State. Some of them are mandatory. They have looked at many alternatives. The impact
7 comes from mandated areas. They are seeing a major increase in District Court. They can
8 look at alternative programs where applicable.
9

10 Carey James, Sheriff's Office, stated one way they control jail population now is by
11 doing what Councilmember Fleetwood says. They are now asking to release some people to
12 maintain jail levels that keep the County out of trouble. They are doing that right now.
13

14 Desler stated they have reduced the Juvenile Detention use by using alternate
15 programs. He continued to discuss the goal of the emergency medical service (EMS) fifth
16 unit implementation.
17

18 Nelson asked if the City of Bellingham has developed it's own emergency operations
19 center (EOC), and pulled out of the joint arrangement with the County, because of the influx
20 of federal funding for these issues that may be more available to the City as an independent
21 organization. Desler stated the City wants to focus on improvements for the people of the
22 City, with a different organizational structure, according to what the City has said.
23 However, leaders in the Sheriff's Office have expressed concerns that there is competition
24 with the City for the same resources. The County administration continues to work on
25 things that bring the City and County together.
26

27 James stated the County manages the federal money coming into the EOC. The
28 funds isn't a driver for the City. Their funding was reduced. The County has reached out to
29 the City to try and bring the City back to the previous arrangement. The City is trying to
30 compete for money with the County, but the money is still funneled through the County. It
31 would be better if they worked cooperatively.
32

33 Crawford asked how the County has approached the new City Mayor. Desler stated
34 he had a conversation with the City's Deputy Mayor recently. The City is pressing the
35 County to move forward with a joint management of Lake Whatcom watershed, which would
36 be expensive. They hesitate because the City has pulled out of the system for joint
37 emergency operations, which creates complications for the County. The deliberations are
38 verbal at this point. The new Mayor has not approached the County yet on the emergency
39 services issue.
40

41 Fleetwood stated he hopes the County will invite the City to have a discussion about
42 their reasons for pulling out of the agreement. The County is always speculating about the
43 City's reasons. The County should ask the City. James stated they've tried. The City
44 hasn't responded. The City had said they weren't getting services during the agreement,
45 but they were never specific about what their problems were. The City's budget for the first
46 year was \$500,000, much more than what the County had asked from the City. The County
47 had asked the City for an increased contribution that would have been less, to help provide
48 some of the things they wanted. The City spent more money by going off on its own.
49

50 Brenner stated the direction to split with the County came directly from the Fire
51 Chief. The firefighters didn't support the split. Invite them to a meeting and talk about
52 this. She didn't know until recently that the firefighters' union didn't support it. The Fire
53 Chief said some very inaccurate things when making his case for the split.

1
2 Desler stated the Council could host a discussion with all the parties, including small
3 city representatives, at an information gathering session.
4

5 Brenner stated it may be better to meet at one of their meetings and let them meet
6 on their turf.
7

8 Desler continued to discuss the goals regarding homelessness.
9

10 Nelson stated the goal to end homelessness should be amended to reducing
11 homelessness. Some people choose to be homeless. Through this budget process, have a
12 discussion on goals and objectives to reduce homelessness and how they measure that
13 reduction.
14

15 *(Clerk's Note: End of tape one, side B.)*
16

17 Caskey-Schreiber stated they have an opportunity to increase revenue to address
18 the mental health portion of homelessness by increasing the sales tax. It can add beds for
19 that population and reduce the jail population. She will bring something forward in July or
20 August. The North Sound Regional Network can help coordinate programs for that money.
21

22 Nelson stated make sure they establish goals and measures that measure that the
23 trend is toward a reduction in homelessness.
24

25 Regina Delahunt, Health Department Director, stated Health Department staff is
26 working on a plan to identify gaps in the system, related to mental health and substance
27 abuse. The way this goal is worded, she hopes they are talking about mental health and
28 substance issues as the foundation to end homelessness. Those issues are key to a lot of
29 the homelessness they see in the community. Folks must realize there should be a way to
30 provide more support for those two issues in the community.
31

32 Brenner stated she is concerned about losing the institutional memory in the County,
33 as they just lost Gary Williams.
34

35 Weimer stated they've must also look for a way to supplement the increased demand
36 on the food banks.
37

38 Desler continued discussing the goal of prioritizing services.
39

40 Weimer stated that fees can be counterproductive to the goal for which they are
41 applied. People think their taxes are their fee for County services. Desler stated it is
42 important to identify what is a public good and what they can't charge fees for as a result of
43 that determination. They need fees to cover the costs of services in this county. The two
44 tax sources and other small revenues are not enough to provide all County services.
45 Grants, interest income, and fee revenue are important sources of support for what the
46 County does.
47

48 Weimer stated another discussion is that taxes are lower, and the County
49 supplements revenue with fees.
50

51 Brenner stated she would like to see where money is going, down to the dollar.
52 Budgets are usually focused on new programs. Focus on more than just the new programs
53 and staff.

1
2 Kelly stated have a Council discussion on the fee system and how it relates to taxes.
3 Make it a policy discussion between the Council and the Executive. The County has grown
4 to the point where they need to review the fee structure.
5

6 Nelson stated the philosophical question is whether the general population pays
7 entirely for services or there should be a balance between individual services and mandates.
8 Consider the County's philosophy. If they increase fees, make sure the public knows the
9 benefit.

10
11 Caskey-Schreiber stated they need to craft a policy on the percentage that
12 departments should recover in fees. Planning Department fees could be higher.
13

14 Desler continued to describe the goals of implementing high priority capital projects.
15

16 **PROJECTED FUND BALANCES**

17

18 Desler stated there is not enough revenue to continue supporting existing services.
19 They have been in this situation before. It's inevitable from time-to-time. They are
20 entering into a recession. Whatcom County is not as bad off as other counties, but they
21 must discuss it. Revenue sources are shrinking, including interest income, sales tax rate of
22 growth, new construction, permit and fee revenue, timber sales, and federal and State
23 funding. They cannot tax their way out. Have good fiscal policy, prioritize, and stabilize
24 costs. They must have \$7.5 million in the ending fund balance for the general fund to not
25 have to borrow funds.
26

27 Nelson asked if there is a separate dedicated reserve. Desler stated the Council
28 policy is to maintain 15 percent. There is a \$1 million dedicated reserve for the past 15
29 years.
30

31 Nelson stated this ending fund balance has accumulated over the years. The
32 Treasurer uses this to pay bills instead of getting a loan before tax receipts come in. Desler
33 stated they need about \$7.5 million in the fund balance before the April tax receipts come
34 in, to make sure they don't have to borrow on short-term markets.
35

36 Nelson asked if it costs the County to borrow. Desler stated it does. When they go
37 to short-term markets to borrow, Whatcom County has a very strong bond rating and is a
38 low risk, so borrowing rates are much lower.
39

40 Bennett stated that \$1 million emergency fund is in the general fund. There isn't a
41 separate emergency contingency fund. It is part of the ending fund balance.
42

43 Desler stated the County has \$82 million in the total fund balances at the end of
44 2008. Many of those funds are like stovepipes. They can only be used for certain functions.
45 They can't use them to pay for things outside their function.
46

47 Weimer stated he would like to see a breakdown of all the funds. Desler stated that
48 information is on page 152 of Volume I of the current budget.
49

50 Caskey-Schreiber stated lobby for more flexibility to use the real estate excise tax
51 (REET) 2 funds, especially for capital facilities.
52

1 **DISCUSS OVERALL FINANCES/GENERAL FUND PROJECTIONS**

2
3 Desler gave a presentation on the budget status (*on file*).

4
5 (*Clerk's Note: End of tape two, side A.*)

6
7 Desler continued to read the presentation.

8
9 Fleetwood asked how to maintain, given a three percent increase in revenue and a
10 3.4 percent increase in expenditures, per page 90. Desler stated the expenditures shown
11 on page 89 of the packet are the non-salary expenditures and other exceptions listed. It
12 shows the increases. It also makes assumptions about a budget lapse and limited capital
13 outlay contributions in 2008. The only new source of source they anticipate is a new taxing
14 source by properly assigning sales tax revenue to the communities where the expenditure
15 takes place, called sales tax sourcing. That goes into effect July 1. They estimate \$250,000
16 in revenue for 2008 and \$750,000 or more in 2009.

17
18 Crawford asked if they are going to spend down reserves. Desler stated they will
19 not. They have to reduce expenditures or increase revenue.

20
21 Nelson stated the Council desires to continue services and help the community, but
22 keep in mind the impacts to the public due to the economic downturn. He hopes they
23 present specific benefits and gains to the public.

24
25 Fleetwood stated people at the poverty level earn about \$1,100 net per month. Rent
26 and food is tax free. People would spend about \$200 per month on items that have a sales
27 tax. The mental health sales tax increase equals a tax increase of about \$.20 per month. It
28 is practically nothing.

29
30 Brenner stated they don't know what the straw is that breaks the camels back. An
31 income of \$1,100 may not support a family. Clothing and gas are taxed. She's been in that
32 situation, and that amount can be the breaking point.

33
34 Weimer stated that if they don't spend it now, it will cost more later.

35
36 **REVIEW/ADOPT BUDGET DEVELOPMENT GUIDELINES**

37
38 Brenner stated it is not realistic to maintain current levels of service. Talk about
39 reductions.

40
41 Crawford stated the trend of lowering reserves is a non-sustainable, long-term
42 financial problem for the County. Therefore, they could make the conclusion of making
43 reductions, but he's not sure yet. Discuss it toward the end of the budget process. He's not
44 sure he's ready to make cuts.

45
46 Nelson asked if the administration will include its priority list in the development
47 guidelines. Desler stated it will.

48
49 Nelson asked if the administration will bring forward the mental health sales tax
50 increase option to address the administrative priority to address the homeless issue. Desler
51 stated the homeless issue doesn't necessarily have a tax increase attached to it. They
52 talked about fees and grants.

1 Nelson asked if the administration's priorities are funded within the guidelines.
2 Desler stated there may be some necessary adjustments of priorities to accomplish the
3 issues.

4
5 Crawford asked the cost of guideline item seven. He asked if the Council will
6 approve a resolution regarding the budget development guidelines. He's not sure of the
7 cost of that item, especially in an era of declining reserves.

8
9 Nelson stated the reserves won't go below ten percent this biennium.

10
11 Desler stated ten percent would be \$8.5 million.

12
13 Weimer stated avoid layoffs. He asked how they prioritize if new people would be
14 more important than existing people. They couldn't retrain. He asked if they are stuck with
15 people who they don't need, if they can't be retrained for a new position. Desler stated
16 they aren't. The administration desires to avoid layoffs. However, the guidelines don't say
17 they won't have layoffs.

18
19 Weimer stated the guideline says that there will be no new positions without
20 remaining budget neutral. He asked if the Council has to retrain someone the County
21 already has if the Council decides a new position is really important. Desler stated it doesn't
22 mean that at all. It means they will have to use skills to create opportunities for people
23 inside the organization, if they can. He doesn't anticipate that the County will lay off
24 employees.

25
26 Kelly asked how wedded the Council is to the guidelines. This is a different budget
27 cycle. There should be different guidelines. Desler stated these guidelines are
28 recommendations.

29
30 Crawford stated that when they are at the point where they must reduce staff,
31 consider not replacing staff through attrition. Consider language to use attrition to reduce
32 staff.

33
34 Caskey-Schreiber stated leave that up to the department managers.

35
36 Desler stated attrition is a good opportunity to reduce staff if it were to become
37 necessary. It avoids the problems that would occur to peoples' lives when they no longer
38 have a job. The County has not treated people like that.

39
40 Caskey-Schreiber stated she doesn't see the need this upcoming budget cycle to
41 reduce staff, thankfully. There are other options besides reducing staff.

42
43 Brenner stated that as populations grow, the percentage of government to
44 population should decrease, not increase, especially when times are rough.

45
46 **REVIEW ADDITIONAL SERVICES REQUEST FORM**

47
48 Weimer stated they will continue to discuss the guidelines and form during the June
49 17 Finance Committee meeting.

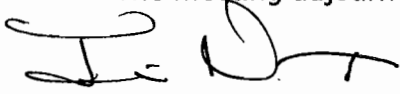
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52 **OTHER BUSINESS**

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There was no other business.

ADJOURN

The meeting adjourned at approximately 12:00 p.m.



Jill Nixon, Minutes Transcription

The Council approved these minutes on July 22, 2008.

ATTEST



Dana Brown-Davis, Council Clerk

WHATCOM COUNTY COUNCIL
WHATCOM COUNTY, WASHINGTON



Carl Weimer, Council Chair