

**WHATCOM COUNTY
EXECUTIVE'S OFFICE**

County Courthouse
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Bellingham, WA 98225-4082



Jack Louws
County Executive

MEMORANDUM

To: Whatcom County Council

From: Jack Louws, County Executive

Date: May 6, 2014

RE: 2015-2016 Budget Guidelines

A handwritten signature in blue ink, appearing to be "J. Louws", is written over the "From:" line of the memorandum.

As County Executive, I have the responsibility to present a balanced budget to the County Council. I also recognize it is in the best interest of the County to develop the budget in collaboration with the Council. To that end, I invite your help and participation in developing budget guidelines to provide a framework for a balanced and sustainable budget.

While applying the Budget Guidelines set for the 2013-2014 Biennial Budget, our department leaders, managers and employees helped to reduce the budget through new efficiencies. We saved hundreds of thousands of dollars with their help and will continue to call on staff to approach work with efficiencies in mind.

You will find many of the recommended themes and principles from the previous budget continued into this next biennium. Building a budget that allows us to maintain a fund balance consistent with Whatcom County's strong bond rating standard will produce great dividends if new debt is incurred for long-range capital projects such as a new Jail.

The attached guidelines are proposed for use in building the 2015-2016 Biennial Budget. I appreciate your review and feedback.

2015-2016 BUDGET DEVELOPMENT GUIDELINES

The Council's review and feedback is requested on the following guidelines proposed for use by the Executive in building the 2015-2016 Biennial Budget.

1. Ending Fund Balance and Reserves

The County's largest revenue source, property taxes, is received primarily in April and October. As a result, the General Fund's operating costs exceed revenue most months of the year. Approximately \$8,000,000 is needed to maintain a positive cash balance throughout the year to avoid incurring costs associated with borrowing or payment delays. This includes the \$1,000,000 "rainy day reserve" in the General Fund as required through County Code. Since the County is considering seeking bonds to assist in financing a new jail, it is important to maintain an adequate General Fund balance to attract lower bond interest rates.

General Fund revenues are estimated to be approximately \$76 million annually. Fund balances should allow sufficient reserves to:

- Fund operations without borrowing
- Cover emergencies
- Preserve a favorable bond rating
- Finance priority long-term capital projects

2. Revenues

Revenue supporting the General Fund has the least restrictions applied to its use. Other county revenues with more restricted uses include the Road Fund, REET I, REET II, Rural Sales Tax, Flood/Water Resources, Conservation Futures, etc. Grant revenues also come with restrictions on their use. A major financial challenge for Whatcom County is balancing the unrestricted revenues to fund general government functions including the Courts, the Offices of the Sheriff, Prosecuting Attorney, Assessor, Auditor, Treasurer, the Council, etc. To meet that challenge and maximize the use of limited resources it is essential that General Fund revenues be focused on core County functions which provide general government services while:

- All eligible costs are charged to grants and other restricted funding sources prior to spending undedicated General Fund resources.
- Fees for services are structured and negotiated, if possible to recover the total costs of service including administrative overhead.
- Undedicated General Fund and Road Fund support is reviewed and set at appropriate levels if fees and other income do not cover the full service costs.
- Interest income use is maximized to pay for the cost of general government services to the full extent allowed by law.

3. Efficiencies

Over time, the needs of our community change and the technology available to aid in providing County services improves. It is essential that we constantly review our operations and eliminate unnecessary costs. As examples, the County should continually question whether it needs all its current vehicles, equipment, and software and should review potential costs savings from renting equipment rather than owning as well as sharing equipment between departments. Prior to investing in new technology, the County should seek to use its current systems to their full capacity. All County managers and staff will be requested to

review existing functions and activities to remove bottlenecks, become even more efficient, and reduce operating costs, with the following guidelines:

- Maximize the useful life of capital equipment.
- Maximize productive capacity of investments in technology.
- Cross train staff to provide more effective use to meet operational needs.
- Streamline and consolidate County functions and use of office space.
- Utilize cost effective energy conservation strategies.
- New technology projects must identify labor efficiencies and other savings prior to any capital investment.

4. Service Levels

County services and functions need to effectively respond to community needs and legislative requirements as well as Executive and Council priorities. It is necessary for the County to continuously evaluate and prioritize the services delivered and:

- Re-evaluate services mandated by law for appropriate and sustainable levels.
- Remove barriers to effective, efficient processes created by County mandates.
- Review non-mandated services, determine if the support is justified and if justified, identify revenues to cover some or all costs.
- Limit new or expanded services without corresponding reductions or identifying new sources of realized revenue.

5. Staffing

The Executive intends to develop the 2015-16 budget at staffing levels the General Fund can sustain within projected revenues over a 36-month period. The Executive will start down this intended path even as the budget is being built because staffing comprises 70% of the General Fund budget and some payroll obligations increase over time. To achieve the goals of stable staffing levels while maintaining an adequate General Fund balance, the Executive intends to:

- Sustain staffing levels close to current FTEs.
- Engage labor representatives to achieve agreements within revenue capacity.
- Require staffing costs which exceed budget to be covered within existing departmental budget authority.
- Encourage operational efficiencies, prioritization, training\cross-training, technological enhancements, reorganizations, and work distribution to achieve adequate staffing to serve public needs.
- Apply hiring delays if needed to create savings.
- Maximize the value of health and welfare expenditures.
- Encourage County partners and stakeholders to explore further opportunities to reduce costs.

6. Other Cost Savings

The Executive may recommend other cost-saving measures, including across-the-board and/or targeted reductions to achieve a sustainable budget for 2015-2016.