

**WHATCOM COUNTY
EXECUTIVE'S OFFICE**

County Courthouse
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Jack Louws
County Executive

MEMORANDUM

TO: Whatcom County Council Members

FROM: Jack Louws, County Executive 

DATE: October 18, 2019

RE: Funding Adjustments for the 2019-2020 Mid-Biennium Review

The Whatcom County Code Chapter 3.07 provides for a mid-biennium review and modification of the biennial budget. My priority for the mid-biennium adjustment is to hand off a financially healthy government that has a solid funding plan for the remainder of the biennium and adequate financial resources for the new administration to begin to shape their vision for county government.

The mid-biennium budget adjustments fine-tune the 2020 budget for programs and services, provides for approved wage and benefit increases and continues funding for programs added in 2019. The proposed adjustments are detailed in the attached spreadsheet. The projected 2020 ending General Fund balance after these adjustments is \$16.9 million.

Revenues

General Fund sales tax revenues are up significantly in 2019. The principal General Fund Sales Tax account is currently 7.4% over 2018 amounts and the Criminal Justice account is 5.6% over 2018. The main driver behind these increases is new internet sales taxation. We are projecting 2020 sales taxes revenue to drop to 4% growth as there are signs of a weakening economy. Federal Payment in Lieu of Taxes (PILT) came in \$255,000 less than budget in 2019 and is not expected to increase next year. Property tax collections are expected to be lower than budgeted in both 2019 and 2020 due to less new construction added and lower levy rates than forecast. On the plus side, investment earnings are projected to be realized at about \$1.2 million over budget in 2019; unfortunately, with changes in the Fed rate, that situation is not expected to recur in 2020. Overall, pluses and minuses result in higher than expected general revenues in 2019; however, the increases are not expected to carry through to 2020. General Fund revenue adjustments are not considered significant enough to warrant adjustment in the mid-biennium review. A more detailed analysis of General Fund revenues will be presented with the third quarter report on November 6th.

Behavioral Health Sales tax is expected to exceed the 2020 budget by \$500,000. Homeless housing recording fees are expected to fall \$390,000 short of the 2020 budget. SHB 1406 will result in an additional \$800,000 of sales and use tax revenue to be used for low income housing. Housing programs

will continue with minimal impact by utilizing the Behavioral Health fund and SHB 1406 revenue to offset the impact of reduced recording fee revenue.

Expenditures

Wage increases for settled agreements can be accommodated within the existing 2020 budgeted wage reserves. The mid-biennium adjustment contains transfers to distribute wage reserves.

Proposed additions to the 2020 budget include:

- Two new Road Maintenance Workers funded through the Road Fund.
- One Deputy Public Defender to ensure public defender caseloads comply with Washington Supreme Court rules.
- Two part time positions are being increased to full time positions. One in the Prosecuting Attorney's office and the other in District Court Probation.
- Increasing the Jail budget by \$552,000 for the increased cost of contracted bed space at other jurisdictions and increased medical costs. This does not include a contracted Medical Assisted Treatment (MAT) navigator requested by the Sheriff's Office. The Sheriff's Office will be doing additional coordination and evaluating the appropriate funding source on this request. This will likely be a budget supplemental in early 2020.
- Provide the Assessor with additional funding for defense of high value appeals.
- Provide District Court with funding for interpreters and pro-tem judges (requested by District Court Judges).
- District Court Probation indigent defendant Domestic Violence Perpetrator assessment and treatment, as requested by council in 2019.
- Health Department adjustments, including behavioral health services, resources for severe weather shelter facilities, addition of a van for the mobile needle exchange program, use of Developmentally Disabled (DD) fund reserves for DD housing renovations, and Solid Waste adjustments as authorized by the Executive Committee. This does not include a new Health Navigation program to design initial implementation of a county-wide health navigation system as requested by the Health Board in October. The Health Department will be doing additional research on this request. A budget supplemental will likely be submitted in early 2020.
- Facility Department vehicles including re-appropriation of a bucket truck previously authorized in 2019 and additional snow and ice removal equipment
- Parks Department and Public Works vehicle upgrades on ER&R items included on the biennium capital list and for new department needs
- Public Works Swift Creek Sediment Management Plan funding
- Flood's Coastal Storm Modeling System (CosMos) project
- Auditor's Presidential Primary and other election adjustments
- Economic Development Investment (EDI) program adjustments
- Administrative Services: Tort Fund adjustment, appropriate re-allocation of Administrative Service's Director's position from the General Fund to Administrative Services
- Non-Departmental funding of the Wayfinding Project from the Lodging Tax Fund
- Additional bunkers for material storage for Public Works

- Carpet and interior paint projects for Public Defender's building
- Parks Department Lake Whatcom Park Trailhead and Trail development
- Increase in support for criminal justice case management software project

A comprehensive list of all of the budget supplementals, including those not approved, is attached.

Ordinances necessary to make these budget adjustments, including an updated 2020 capital appropriation exhibit will be submitted for introduction on November 6, 2019. The Flood, Subzones and Point Roberts Transportation District annual budget resolutions will also be submitted. In addition, Tax Levy Ordinances for the General Fund, Road Fund, Flood Fund, EMS Fund and Conservation Futures Fund will also be introduced. All property tax levy ordinances will be for the 2019 amount; tax increases are only for the addition of new construction. Staff will be ready to discuss these supplementals in more detail at the November 6th Finance Committee meeting if requested by Council. The public hearing and vote on the mid-biennium adjustments, tax ordinances and 2020 budget adoption resolutions will be requested at the November 19, 2019 council meeting.

Challenges for the 2021-2022 biennium

Wage settlements: We are currently negotiating with four bargaining units; our other three bargaining agreements expire at the end of 2020. Wages and benefit costs are expected to continue rising faster than general county revenues. We anticipate funding wage and benefit increases in the 2021-2022 biennium will be a challenge.

Self-Insured Health Program: One crucial item that will need continued review is the rising cost of our self-insured medical program. There is enough reserve to pay for these benefits in 2020. Favorable claims experienced early in the decade have not continued as actual claims have exceeded projections in the last three years. Our stop-loss insurance premiums have also increased due to the increase in claims. Adjustments to our self-insured health program are expected for the next biennium to address these increased costs.

Self-Insured Tort: Insurance premiums paid to the Washington Counties Risk pool have increased significantly over the last few years. Washington Counties Risk Pool premiums are a significant component of our self-insured tort program. Adjustments to our self-insured tort program are expected for the next biennium to address these increased costs.

Recession Planning and the Financial Structural Gap: While economic forecasts predict a minor recession in 2021, the "structural gap" of General Fund revenue not keeping up with inflation and population growth is also a cause of long-term financial concern. Planning for the ever-changing financial landscape will be crucial to ensure the County remains financially stable.

I appreciate your review and consideration of these adjustments in advance of the November 6th meeting.