

Auditor's Report

TO: COUNTY COUNCIL
FROM: F. MILENE HENLEY, AUDITOR
SUBJECT: 2009 BUDGET REDUCTION
FOR MEETING OF: Tuesday, June 16, 2009

ISSUE:

Shall the Council approve a reduction in the 2009 County budget as currently adopted, consistent with reduced revenue projections?

ATTACHMENTS:

Ordinance Amending San Juan County's 2009 Budget for Revenue Reductions
Spreadsheet detailing amendments

BACKGROUND:

There are three types of budget amendments to county budgets as described in RCW 36.40. What we're doing today is none of those.

Like counties across the state, San Juan County is faced with the need to amend its 2009 budget downward. There is no clear guidance for this in the RCWs. Municipal Research and Services Center (MRSC) advises that "there is no county statute that discusses what must be done when an appropriation level in a fund is decreased. Presumably the board or council passes a resolution to that effect with a simple majority." In San Juan County, an ordinance would be required, since the County Charter requires that County budgets be adopted and amended by ordinance.

The target amount for this budget reduction is one million dollars. The calculation of this target is explained in detail in the June 5, 2009, Report to Council from the County Administrator and County Auditor. In brief, county revenues are currently projected to fall short of budget by the following approximate amounts:

Permit and Licenses	\$475,000, led by CD&P and Health
Charges for Goods and Services	150,000, led by Clerk and District Court
Fines and Penalties	40,000, led by District Court
Miscellaneous Revenues	300,000, mostly interest
Excise Taxes	18,000, from reduced excise tax 1% fees
Transfers & other sources	<u>17,000</u> , including \$9000 reduced admin fees on Land Bank excise tax revenue
TOTAL	\$1,000,000

It is essential that the County move quickly to make corresponding reductions in expenditures. To cut one million dollars of expenditures from an annual budget halfway through the year requires that we cut twice as deeply as if we were making those changes at the beginning of the year. Were we to put off the reductions for another quarter, we would have to cut four times as deeply.

Because of the complexity of some of the reductions being considered, however, we are proposing that we achieve the total required reduction in phases. The first phase is being presented today, and achieves 93% of the total target reduction.

ANALYSIS:

The San Juan County 2009 budget was approved on December 9, 2008. Total approved expenditures for 2009 were \$13,996,248 in the general fund and \$51,845,797 for all county funds. There have been three previous amendments—one emergency appropriation, one supplemental appropriation, and one cash adjustment—all on March 31 of this year. The net effect of all three ordinances increased the general fund budget by \$168,521, and the County budget by \$497,025.

Today's proposed ordinance will decrease the current expense budget by \$1,000,000 in revenues. It will reduce general fund expenditures by \$933,121, and general fund ending cash by \$66,879. In addition, minor reductions in several other funds—resulting primarily from reduced charges for Information Services—are proposed. The proposed reductions are summarized below, and detailed in the attached spreadsheet, by department and fund.

General Fund

Note: The following departmental totals do not include adjustments to IS charges, which are stated separately below.

County Administration. Budgeted expenditures for a planned classification study are reduced by \$14,000. Voluntary payroll deductions by all members of the department—all of whom are non-represented—save just over \$10,000. Miscellaneous other deductions, including conference travel and risk pool training for managers, bring the department's total reduction to \$35,409.

Assessor. The Assessor is reducing costs by not replacing a recent voluntary resignation and by a beginning-of-the-year voluntary reduction in hours by one appraiser. To make up for the loss of one appraiser, a half-time appraiser is going to full time. The Assessor has also reduced travel. Total reductions equal \$21,977.

Auditor. The Auditor saved over \$10,000 earlier in the year when a senior customer service specialist resigned and was replaced by an entry-level person. The Auditor has also made substantial reductions in associated operational costs, including travel. Total reductions equal \$37,686.

Board of Equalization. Budget for the BOE is proposed to increase, because of staff time involved in managing the large number of valuation appeals this year. Total proposed increase is \$6,300.

Facilities. Facilities is deferring the replacement of one worker until 2010, for a one-time savings of \$50,324. It is also cancelling a contract for landscape maintenance at the Windermere building and reducing use of motorpool vehicles. Total savings equal \$69,035.

Civil Service. Civil Service, a very small department, is saving \$2,200 by not attending the annual civil service conference this year.

Clerk. Because of the re-classification of several employees, payroll costs in the Clerk's office are increasing. Total increase for the department, after netting out some savings from travel, is \$2,095.

Council. Council staff is proposed to be reduced to 2 rather than 3 employees, for a savings of \$23,292. Reductions in other areas, including travel, cell phone allowances, and advertising, result in a total savings for the department of \$31,712.

Community Development and Planning. CD&P has experienced a significant downturn in revenues for 2009. As a result, it has already eliminated 5 positions this year, and has proposed reduction of another position in this budget. The department has also made substantial cost reductions in other areas, including motorpool usage, advertising, professional services, and conference travel. Total reductions equal \$266,763.

County Agent. The Council's choice to fund the Agricultural Resources Coordinator out of the Public Facilities Improvement Fund rather than out of the general fund reduced the County Agent's budget by \$30,500.

District Court. District Court, like the Clerk's office, had several positions which were re-classified to higher pay ranges. As a result, total payroll costs are being increased by \$10,595. Several operational expenditure items were decreased, however, for a net increase of only \$5,285.

Elections. Elections is able, because the county had no spring elections, to reduce its budget by \$15,740 across several line items. There will be a primary election, but because only one district will have a race in the election, that district will have to bear the full cost of the primary election.

General Administration. This is a department through which many county-wide expenses are run. Proposed reductions include \$10,000 from the "general equipment" line item for replacement of shared copiers and printers, and \$7,500 from the safety budget. In addition, the \$10,000 general fund subsidy to the Orcas Island Recreation Program is proposed to be eliminated. Total general admin reductions total \$30,500.

Health and Community Services. HCS is proposing two staff reductions: one departmental assistant in senior services and one departmental assistant in personal

health, for a combined savings of \$15,919. It is also shifting some staff and management time to grants, for another \$23,542. Other reductions include eliminating hydrogeological reviews (\$10,000), buying fewer vaccines (\$5,400), no longer buying water bottles for resale (\$6,000), and travel and conferences (\$4,500). Total reductions for the department equal \$67,959.

Jail, Sheriff, and Communications. Challenged to meet a target reduction, the Sheriff has proposed the following reductions in his three general fund departments:

Communications will eliminate one part-time dispatcher for a savings of \$6,291. Along with reductions in teletype and recorder expenses, total reductions equal \$15,231.

Jail will reduce one corrections officer for a savings of \$9,834.

The Sheriff's Office will eliminate ferry traffic control for a savings of \$6,000. He is also giving up one currently vacant deputy position, for a savings of \$77,541. This vacant position was being held open for an active-duty reservist who may choose to return to his job as a Sheriff's deputy later this year. The Sheriff would like to reserve the possibility of re-opening this position if the reservist does return to work.

Total proposed savings from Jail, Communications, and Sheriff equal \$102,606.

Juvenile Court. Juvenile Court, which in March reduced its budget by \$10,000 to help pay for a court administrator/court reporter in Superior Court, has contributed another \$4,340 in reductions to various operational expenditures.

Law Library. Law Library is being asked to reduce its expenditures by \$1,950, for its proportional contribution to the cause.

Operating Transfers. Operating Transfers is the "department" through which transfers to other funds for operating expenses are made. An operating subsidy to the County Fair of \$3,935—which subsidizes the Fair's share of liability insurance and IS data processing charges—is being eliminated. In addition, the operating subsidy to Parks for IS charges is being reduced by \$1,116. Total departmental reductions equal \$5,051.

Prosecutor/Coroner. The Prosecuting Attorney has chosen to achieve his target reductions by reducing his staff by one part-time attorney, for a savings of about \$23,000. He is also giving up \$8,519 plus benefits for a part-time intern (he was able to "hire" a free intern); his remaining \$14,495 subsidy to the Crime Victims fund; and \$1,050 for staff training. Total proposed reductions equal \$52,488.

Superior Court. Superior Court saved about \$6,000 by hiring its new court administrator/court reporter later than budgeted. It is proposing a reduction of \$15,000 in therapeutic court expenses (balanced by an equal reduction in revenues). Those reductions, combined with miscellaneous other operating expense reductions, result in a total savings of \$27,569.

Treasurer. One position in the Treasurer's office was re-classified in March to a higher pay range. In order to cover those additional costs, as well as to contribute to the overall reduction goal, the Treasurer has offered to reduce her staff by one half-time position. With miscellaneous operating expense reductions, total savings equal \$17,247.

Other reductions. Not included in the departmental reductions listed above are two other savings to general fund departments: Retirement benefits and Information Services charges.

Employers' share of contributions to public employee retirement systems will decrease effective July 1, 2009. The net savings across all general fund departments will be \$79,600. The table below shows the reduction by department. These adjustments will be included by department in the budget adjustments, once the budget amendment is adopted.

Department	Retirement costs for reduced workforce at new rate	Retirement costs for reduced workforce at old rate	Savings	Budget Adjustment
Co Admin	43,979.79	52,517.04	8,537.25	8,530
Assessor	27,497.52	32,835.27	5,337.75	5,330
Auditor	31,545.75	38,454.87	6,909.12	6,900
Facilities	12,352.18	14,389.68	2,037.50	2,030
Clerk	16,025.19	20,378.88	4,353.69	4,350
Council	18,651.87	22,272.53	3,620.66	3,620
Communications	32,364.03	38,646.46	6,282.43	6,280
CD&P	61,759.38	73,747.96	11,988.59	11,990
WSU	6,219.50	7,426.81	1,207.31	1,200
District Court	32,142.09	38,923.38	6,781.29	6,780
Health	48,932.90	57,756.53	8,823.64	8,820
Juvenile Court	18,103.86	21,310.54	3,206.68	3,200
Prosecutor	39,339.48	47,213.75	7,874.28	7,870
Superior Court	3,111.67	3,715.70	604.03	600
Treasurer	14,895.58	16,998.13	2,102.55	2,100
TOTALS	490,759.90	567,271.28	79,666.77	79,600

Information Services, which is managed as a separate, internal services fund, was challenged to reduce its budget along with the general fund departments. It identified \$50,098 in proposed reductions, which includes \$17,781 from its equipment replacement program; \$17,940 from professional service contracts; \$11,175 from travel and other operating expenses; and \$3,202 from retirement benefit savings. Of that \$50,098, \$46,469 will be allocated across general fund departments.

All general fund reductions proposed today total to \$933,121. To match the \$1,000,000 reduction in revenues, another \$66,879 will be taken out of operating cash.

Parks

County Parks' budget is being reduced by \$11,116. \$10,000 of that is in the Orcas Island Recreation Program and matches the \$10,000 revenue loss because of the elimination of the general fund subsidy to OIRP. The reduction is being achieved through a combination of payroll reductions and reduction to OIRP ending cash. The remaining \$1,116 represents reduced IS charges, and is balanced by a reduced subsidy from the general fund.

Fair

County Fair is reducing its budget by \$3,935, the amount of the general fund subsidy which is being taken away. Along with a \$113 reduction in IS charges, the net effect on the Fair's budget is a \$3,822 reduction in projected ending cash balance.

Other Funds

The following funds are being revised to account for reduced IS charges. In all cases, the balancing entry is in ending cash balance.

Land Bank	\$ 289
Department of Emergency Management	113
County Roads	1,596
E-911	202
Solid Waste	111
Equipment Rental & Revolving	89

RECOMMENDATIONS:

The Prosecuting Attorney believes that notice on two separate weeks is required before the Council can adopt the proposed ordinance. The additional advertising will move adoption out to July. As mentioned above, however, timeliness is critical in order to achieve the cost reductions proposed by the Ordinance. Many of the proposed reductions require personnel actions. The Council can act now to authorize the actions required to produce the proposed budget reductions.

It is the Auditor's recommendation that the Council direct staff to immediately implement staff reductions proposed in the draft ordinance, in order to begin realizing proposed savings on or about July 1. Even if there is to be further discussion on some of the specifics in the budget reduction, most of the proposals will likely stand. Acting now on those proposals on which there is agreement will save money, and jobs, later.