

Auditor's Report

TO: COUNTY COUNCIL

FROM: F. MILENE HENLEY, AUDITOR

SUBJECT: SUPPLEMENTAL AND EMERGENCY BUDGET
APPROPRIATIONS

FOR MEETING OF: Tuesday, March 31, 2009

ISSUE:

Shall the Council approve supplemental and emergency budget appropriations to the 2009 County budget as currently adopted?

ATTACHMENTS:

Ordinance Amending San Juan County's 2009 Budget for Supplemental Appropriations
Ordinance Amending San Juan County's 2009 Budget for Emergency Appropriations
Ordinance Amending San Juan County's 2009 Budget for Beginning Cash Balances

BACKGROUND:

There are three types of budget amendments to county budgets as described in RCW 36.40.

Transfers and supplementals. Transfers of funds between departments, and supplemental appropriations because of unanticipated federal or state funds, are described in RCW 36.40.100. Such changes are permitted, by RCW, by resolution of the legislative authority. In San Juan County, however, the Charter requires that all budget amendments be made by ordinance (sections 6.70-6.73). Note that transfers *between funds* are treated as emergency appropriations, not as supplementals.

Emergencies subject to hearing. "Emergency" appropriations (RCW 36.40.140), despite the name, are non-catastrophic changes to the budget which require the additional expenditure of money. Such changes are presumed to have been not reasonably foreseeable at the time the budget was adopted. They require public notice, public hearing, and adoption, in San Juan County, by ordinance.

"Nondebtable Emergencies." Nondebtable emergencies (RCW 36.40.180) are those "caused by fire, flood, explosion, storm, earthquake, epidemic, riot, or insurrection, or for the immediate preservation of order or of public health or for the restoration to a condition of usefulness of any public property the usefulness of which has been destroyed by accident, or for the relief of a stricken community overtaken by a calamity,

or in settlement of approved claims for personal injuries or property damages, exclusive of claims arising from the operation of any public utility owned by the county, or to meet mandatory expenditures required by any law.” Appropriations to deal with such emergencies require a vote of the legislative body, but no further notice or hearing. We are not dealing today with this type of budget amendment.

ANALYSIS:

The San Juan County 2009 budget was approved on December 9, 2008. Total approved expenditures for 2009 are \$13,996,248 in the general fund and \$51,845,797 for all county funds.

Of the three ordinances under consideration today, one deals with supplementals, and the other two deal with “subject to hearing” emergency appropriations. One of the two emergency appropriations deals solely with adjustments to fund beginning cash amounts, based on actual 2008 ending cash balances.

Supplementals. The supplementals all involve additional funds coming into the County, balanced by their associated expenditures.

In September of 2008 the Council approved adding a \$30,000 grant to the Sheriff’s department for sex offender residency verification. The money was to be used to fund overtime for verifying sex offender residences, and to purchase tasers for the department. The money was not spent in 2008, so we are rolling both the revenue and the expenditures forward into 2009. These funds will be managed in the Grants Fund.

In the General Fund, WSU Extension has received two supplemental sources of revenue which will be used for related expenditures. Through the Marine Resources Committee, Extension received a \$7000 grant to conduct a sustainable landscaping class for professional landscapers. That class was recently completed, with 8 graduates. Also from the MRC, Extension received a grant in 2008 to subsidize its Beachwatcher program. Of that grant, \$2,632 is still available to be spent in 2009.

Total supplemental appropriations equal \$39,632.

Emergency Appropriations. We have a large number of emergency appropriations included in the current budget amendment. The bulk of the changes arise from either new revenues, or 2008 appropriations which were not spent in 2008 and are being rolled forward into 2009. In addition, changes in beginning cash balances for the funds are included. By department, the proposed changes are:

County Administration. A classification study of positions within the county was authorized by Council in 2008 with a budget of \$50,000. The management negotiation team, together with union representatives (who had requested the study), agreed that it would be better to postpone the study until 2009 after a new contract is in place. We are requesting now to roll forward the \$50,000 expenditure from 2008 to 2009.

WSU Extension. WSU Extension has a small amount of unused special revenues from 2008 which the agent would like to roll forward into 2009. The Extension office occasionally receives small gifts, such as from United Way, or program income, such as from 4-H or classes, which they then use to enhance their program offerings. They have \$501 which we are recommending be rolled forward into 2009.

Prosecuting Attorney. The Prosecutor's Victim Services program is run out of the grant fund. Because program expenditures exceed program grants, however, at the end of each year, the Prosecutor closes out the Victim Services grants by transferring funds from the Crime Victims Fund and/or Current Expense to cover whatever expenses were not reimbursed by grants. In 2007, that closeout was not done. In 2008, the Prosecutor did transfer \$10,000 of \$21,000 budgeted in Crime Victims Fund to the Grants Fund to cover unreimbursed expenses. However, another \$64,040 is needed to fully close out 2007 and 2008. We are requesting that the remaining \$11,000 transfer out of Crime Vic which was budgeted for 2008 be made in 2009, and that an additional \$53,040 be transferred out of Current Expense to complete the grant closure. This \$53,040 does represent a bottom-line addition to the Current Expense budget, but adequate additional beginning cash, over the amount projected for 2009, are available to cover the expense.

Superior Court. The Superior Court courtroom has been in need of an upgrade to its audio equipment. Judge Linde planned to use some of his 2008 budget to accomplish this upgrade. The equipment and installation were contracted, but installation delays pushed the completion of the work into 2009. For that reason, we are requesting \$10,450 for capital improvements to the Superior Court courtroom. Superior Court used only 72% of its budget in 2008, so we are essentially rolling forward some of those unused funds.

In addition, we are requesting an increase in the authorized budget for a Court Administrator for Superior Court. The Judge decided, in order to make the position full-time, to combine the Administrator position with Court Reporter responsibilities. The result is a higher-paid position, because of the required court reporting skills, but allows the Judge to use \$15,000 budgeted for outside court reporters for the new position. In addition, Juvenile Court has made \$10,000 worth of cuts to their budget to help fund the position, and the new Mental Health Tax Fund (see below) will kick in \$10,000 as part of its requirement to fund a therapeutic court.

Noxious Weed Control. In January Council authorized an increase in the Noxious Weed Control parcel fee. The result was a \$67,716 increase in projected revenues for the noxious weed program. The Noxious Weed Control Board has submitted a new budget which:

- Increases both employees to .75 FTE (from .5 FTE)
- Includes \$8,080 for capital outlay. The board plans to purchase a truck to use in place of the Field Coordinator's personal vehicle, which has been used for the past 9 years.
- Increases supplies, travel, and printing line items.

- Budgets \$12,000 for contract labor to assist with program activities.

The Council has already seen and approved this budget prior to adopting the increased parcel fee.

Veterans Assistance. The levy commitment to the Veterans Assistance fund was based on an estimated total county assessed value. The actual final value came in slightly higher, increasing the county's commitment to the Veterans Assistance Fund by \$1,788. In addition, lower than projected beginning cash (lower by \$1,083) means an increase in the required operating transfer to the fund of \$2,871. This fund comes out of current expense and reduces working reserves.

Parks. The Parks Director has submitted budget amendments which re-allocate some expenses between wages and M&O (maintenance and operation expenditures). Note that current budget policies permit up to \$5,000 to be shifted between payroll and M&O without Council approval. Because program changes in the last few years have helped reduce some of the maintenance costs at San Juan County Park, the Director has received Administrator approval to shift some funds from M&O to increased hours for the SJCP Park Aide. This budget amendment will incorporate that change into the budget. The Director's proposed budget amendment also eliminates the San Juan Island Trails Committee revenue and expenditures. This program was budgeted as a net zero program—funding coming from San Juan Island Parks and Recreation, a separate taxing district, and hard costs being spent by the San Juan Island Trails Committee—but since it represented an administrative drain for the Parks department, eliminating it will save time and money.

Parks is also proposing two capital outlays. A log splitter is needed for San Juan Island parks. Currently one 13-year old splitter is shared between three camping parks on three islands—clearly an inefficient and impractical situation. Ending cash is higher than projected and will cover the requested \$1,500 expenditure.

The second capital expenditure is for improvements to Lopez Village Park. The Director is requesting that an accumulated \$5182 in funds contributed, by agreement, by the Lopez Village Association for Lopez Village Park capital improvement funds be made potentially available for expenditure in 2009, if needed, for fixture replacements.

An LTAC award has allowed Parks to re-open restroom facilities in Eastsound, Shark Reef, and San Juan Island day parks. Total expenditures across several account lines equal \$25,000.

Lodging Taxes. Both lodging tax funds—1211 Multipurpose Facilities Fund and 1221 Lodging Tax Fund—have minor proposed amendments.

In the Facilities fund, a \$3,000 award, to be used to create a marine parks brochure, went unclaimed in 2008. The project had been suggested by an ineligible, for-profit entity; the Lodging Tax Advisory Committee (LTAC) liked the idea, so awarded the

money to the Parks department. But Parks has no time for such a project and no involvement in marine parks. At the time of the budget, the \$3,000 was in limbo as “unreserved cash.” It has since been re-awarded to the San Juan Islands Visitors Bureau, who will hire out the production of the brochure.

Also, an additional \$25,000 was recommended by LTAC and awarded by Council in January of 2009 to the Parks Department, for the purpose of maintaining restroom facilities in Eastsound, Shark Reef, and San Juan Island day parks.

In both funds, the projected 1% administrative fee is being increased. Because 2008 lodging tax revenues exceeded budget, the 1% administrative fee should also have exceeded budget. But by law, actual expenditures cannot exceed budgeted expenditures. So the amount of the 1% fee which could not be paid in 2008 has been added to the 2009 budget for payment. In addition, we are increasing the projected 2009 expenditure, in order to avoid having the same problem in 2009.

In the promotion fund, the expenditure line for the San Juan Island Visitors Bureau contract has been adjusted, as required by contract, based on 2008 revenues and year-end cash. The final contract amount for 2009 is \$382,772.

Auditor’s Document Preservation Fund. The Auditor budgeted \$15,000 out of the Document Preservation Fund for the Clerk to contract out the digitizing of all historical documents back to dirt. Early in 2009, the contractor found an error in his calculations and said the project would cost \$10,000 more. The Clerk put the project out to bid again, and still found the originally selected contractor to have the best price. The Auditor approves of the \$10,000 increase and requests Council to adopt the change.

In addition, none of the \$19,214 awarded in 2008 out of the Council’s historical preservation funds for historical preservation projects was paid out in 2008. We are therefore rolling the cash and expenditure forward into 2009.

Public Facilities Improvement Fund. Three previously approved projects have unexpended funds which are being rolled forward. The three are:

- 2006 Stormwater award for Eastsound projects – original award, \$234,380; originally budgeted for 2009, \$208,000; actual remaining amount, \$234,380
- 2006 Eastsound Stage award – original award \$85,000; budgeted for 2009, \$1,000; actual remaining amount, \$6,437
- Town of Friday Harbor 25% of 2008 revenues - \$96,256

Other projects for which rollovers into 2009 were already budgeted include:

- 2007 Solid Waste Transfer Station - \$123,000
- 2008 Stormwater Capital project - \$197,218
- 2008 Eastsound Sewer & Water - \$85,000

Cumulative Insurance Reserve. The proposal in the insurance reserve fund is to increase budgeted expenditures to the full amount available for expenditure, rather than

the “expected” amount of expenditures. The Auditor is recommending this change in order to avoid having to amend the budget if unexpected insurance payments come up during the year, as they did at the end of 2008, and cannot be paid because they would cause expenditures to exceed budget.

Mental Health Fund. Council has already heard that the Auditor is proposing to create a Mental Health Fund to manage the special revenues generated by the new .1% mental health sales tax. The current budget amendment will add projected revenues and expenditures for that fund. Projected revenues for 2009 are \$175,000, and the projected expenditures are those proposed by the Director of Health and Community Services and the Juvenile Court Administrator, and approved by Council, when the tax was adopted.

Total appropriations included in the first emergency appropriation ordinance equal \$674,349, or \$608,978 excluding transfers.

Beginning Cash Adjustments. Budgets, because they are passed prior to year-end, necessarily estimate beginning cash for the budget year. Every active fund has a beginning cash adjustment. Beginning cash adjustments generally reduce budgeted ending cash or working reserves. All actual beginning cash amounts are listed in the beginning cash ordinance.

RECOMMENDED MOTIONS:

I move that we adopt the Ordinance Amending San Juan County’s 2009 Budget for Supplemental Appropriations, as advertised.

I move that we adopt the Ordinance Amending San Juan County’s 2009 Budget for Emergency Appropriations, as advertised.

I move that we adopt the Ordinance Amending San Juan County’s 2009 Budget for Beginning Cash Balances, as advertised.