

Okanogan County Board of Commissioners
April 18, 2016

BOCC Members Present - Sheilah Kennedy, Ray Campbell, Jim DeTro, Perry Huston, Lalena(Lanie) Johns, Leah McCormack (Treasurer), Laurie Thomas (Auditor), Carrie (from auditor's office.)

Items italicized are note taker's understanding of some of the budget details

Sheilah Kennedy handed budget sheet out...

1:30 PM Planning Office- Budget Discussion, Perry Huston

Note - I have summarized Leah McCormack's statements below from her statements to each department in this meeting for the sake of clarity for the reader

Leah McCormack - Explained the reason the commissioners are calling in all departments - essentially the county is short of cash flow for many reasons this year. Two years of fires and corresponding lack of revenues resulting from this - cattle industry hit with loss of grazing land, had to sell cattle at a loss, longshoreman's strike caused apples to be dumped and loss to orchardists, county has billed WDFW \$500,000+ and only got \$121,000 so far from them, loss of tourism from fires and Canadian dollar devalued, FEMA has not yet given the money to county that they have agreed to - around \$125,000.

At the end of March the Treasurer found there was a \$263,000 shortfall in cash flow. The county has usually set aside \$500,000 in case of need - they have already transferred that sum. This left the county \$236,000 ahead but will not be enough to cover all the bills that are coming due in April. At present, county has \$279,529 total cash, not enough to cover expenses coming up. Next week is payroll week - \$718,000 will be needed and accounts payable are due - example: Visa bills. Leah will know sometime next week if they have to take an interfund loan (*this is where the county will obtain a loan from another entity- in this case the Public Works Dept, which has around 9 million in a fund for dealing with the Solid Waste landfill in the future. With this loan, the county can obtain at least \$500,000 and possibly up to \$1,000,000 - with an interest rate of 3.5%, repayable over 3 years - to deal with the lack of cash flow. This needs a special resolution and also be published as a public notice advertisement for at least a week.* Leah and the commissioners are looking for ways to decrease expenses and asking each department to go over their budgets and report to the board on this matter. They are further asking that all major purchases or expenses and new hires be pushed out until at least June when they expect cash infusions from State and Federal monies.

Perry Huston (PH) - PH went through his budget lines to look for extra money to help with cash shortfall. He explained his dept. average carryover is \$109,000 - Must be more money obtainable in salaries and benefits. Should be about \$50,000 slack in his budget. He can't get to it with the way the budget is set up. But - he could use professional services budget line - will have to see how litigation goes. Cost of it was driven up by Chiliwist. Could pull the pin on extra help and push off some of the invoices due to absolute due date. Planning commission is taking money....depends on how fast they move ahead with the critical areas. Should be okay for travel money, will halt any employee travel. With salaries - Ben Rough's former salary/position(he was a Planner 3 in the office before his new position) has been reduced to planner #1. The rest of PH budget is advertising etc. The rest of the reductions would have to come from personnel

Leah McCormack (LM) - a lot of heavy expenditures come out in Jan, Feb

PH - a lot of legal fees came out early this year and may have had some impact

PH - has made an offer on planner #1 (new hire) but hasn't hired yet

PH - (Perry described in depth how to fix this whole problem which really involves changing the way the county does their budget) How do you fix cash flow? Smooth out expenses, push off some stuff till later (i.e. accounts payable on due date only, not before), maximize revenue collection - a lot of it trickles in - project your revenues and expenses and come as close as you can - if you want to build a reserve - need an annual dedication to reserve. But, what has happened here is the 1.46 million that was not spent last year, it just gets rolled over and is not put into reserve - *(if they had a reserve it would help the county during heavy fire season expenditures)*

LM -states if we pull that carry over now from the budget, it will cripple us

PH - it may cripple us politically....but, what has happened is the carry over has been salted all through the budget and you can't get at it. PH wants budget to have a 10% built in reserve ,basically. Make the budget a true budget on what is revenue, and what is spent.

People at table talked about lots of projects happening in past years....numbers are kind of skewed. PH states again that he has about \$50,000 extra, and wonders why that is there. Could pull some money from taxes (1/10 of 1%). *(this taxation option gets mentioned frequently in the meeting)*

PH - says there would need to be some carry over used for revenues but should not be used to balance budget. Need to match level of services with your expenses. Maybe a dept can get by with less people - but - county needs to establish who is determining the level of service - public, or staff? Law enforcement is perfect example - is it public com-

plaining or is it the staff themselves complaining about shortfalls. Who sets the standards for level of service? LM also stated there are some divisions that are not mandated - people may like them, but....

LH- Extension is not mandated. Public Health amount is not mandated fully.

PH - most of criminal justice level of service is not mandated -ie, not written anywhere how many deputies you need to a certain number of people.

LM - talked about issues of large county and we need probably need more deputies to cover the area.

Sheilah Kennedy (SK) - talked of WDFW law enforcement officers being called in under certain situations - eg - underage drinking party- can be called in along with all the other law enforcement people. Sheilah says we bill them \$500,000 yearly for other projects and they only pay a small amount of \$\$, perhaps we can tap them for more.....

PH -If you are looking at law enforcement look at - Shift schedule, call volume, response time, overtime....especially overtime being bloated. Again - who believes response time is too long - people or staff??? Always the battle cry. Is it physically possible to guarantee a 10 minute response time in Okanogan county every event?? Even 20 minute time is a fantasy. If you are looking at budgets, don't look at just the numbers, look at the facts behind them. Discussion around this - SK - wonders if sheriffs dept is billing the drug task force for all the time our deputies are out there with them. Perhaps its time to start billing them for services. Laurie Thomas (LT) states we will be looking at counties direct costs that they incur for the services we supply for special services like drug task force. (Many programs funded under special grants. Can only use grant monies to pay for those program costs).

PH talking more about collecting money from the special grants funding specific programs in county - ie from drug task force, therapeutic court (a lot of this special fund collected from sales tax has been carried over) Could use these special funds to pay for certain current expenses in the budget.

LM- wonders why this has not been used before?

PH - for instance, has the county genuinely captured all the expenses related to these special funds - and if there is an overage in these special funds expenditures, why is this?

LM - thinks maybe this has just been overlooked

PH - part of this is documentation hasn't been complete----ie public works is geared to show where all the money is going, other departments are not; county needs to be better at this. Part of the problem is we need to start putting true expenses on budget lines

(Lanie, secretary, has left room)

PH - his dept will sit on some invoices for awhile and is up to commissioners to say what PH can do with professional services budget line. LM explained that all depts. will hold off on paying the bills till they are due.

Jim DeTro (JD) - says he had an argument with former commissioners about this - how you pay the bills right away but you can wait till when they are due. LM says they are asking depts to do this right now.

LM - not telling people not pay bills but hold off on incurring big expenses right now.

Lanie back in.

SK - feels we need to send some kind of email to everyone to explain what is happening. Some talk about a resolution to transfer a car from Planning department to Assessors. Want the dark one 06 model- is set up with computers etc. transferred - Saves buying another car.

SK -We are counting on having a surplus sale (of deputy cars). Where does that money come back to?

LT - that money goes back to dept that surplussed it.

LM states she appreciates PH points on budgeting and she believes we could get to the zero carry over budget to be part of next years budget.

SK- With the way things are this year, we are not going to have any carry over this year. Big shortfall - 1.2 million of payroll going out, that's just payroll, not paying bills.

JD - if we set a goal to get back to zero based budget, lets do that. By 2018, will be getting 33% instead of 13% we have been getting (from Wells Dam project ??) (did not hear clearly where this increase in revenue will be coming from)

LM - when Lanie sent out memo for depts to do supplemental - some depts asked for some and really didn't need it - others were asking for far too little.

SK- That's why we are meeting with everyone

Lanie - even when we met with all the depts we were still short.

SK- if any dept has an approved budget and it gets down to November and they know they haven't enough money - can't we say no supplementals (*i.e. extra money to department so they can meet their cash flow I believe*)- must live within their budgets.

LT - Well hey, you didn't budget enough for your dept - how do you make cuts - who do you lay off??? Things happen that you can't plan for.

JD - there is a general perception out there saying lets just go over if need be, the commissioners will deal with it. Wants people to not pad budget, be realistic, look at budgets every month.

Carrie - different things we are talking about - we have lots of budgets, but the problem is lack of cash flow. Some people seem to not understand this. Some of these people don't know how to manage their budgets....maybe they need some help with this.

PH- Need to do more than just move numbers around - need to know what they are expecting in costs, what they are needing - anticipating extra costs.

SK - is concerned because no real changes in personnel over the past two years- what happened?

Carrie- People often say this is the way it has always been done. No one can explain why they are doing it this way. Times have changed over the past two years. This is a "system issue that needs to be changed".

LM - we have a team of 27 depts that need to know budget vs cash flow....

PH - after year 2-3 with Kittitas county, he found he could cut some positions to decrease expenditures. Then a memo came out to reduce budget by 10%. He stated to county he had already done that -but they insisted cut more. He did one more layoff after eliminating 4 positions.

Lanie left came back before next dept I think

2:30 PM Central Services - Randy Clough

LM - explained county's position

Randy -states his main budget is salaries and benefits - other big bills are software expenditures. He has one big \$1300 bill he wants to know he can pay. The "196" fund is the hardware replacement fund and has \$49,000 in it- have servers already and can wait for new computers. Randy has not asked for his carry over this year - \$10,000 of that is for elections.

SK -asks if Randy charges the drug task force for the services he supplies to them.

Randy says he doesn't and it wouldn't amount to much cash - maybe \$1,000

Ray Campbell (RC) - asked Randy to help him with his computer. They left.

PH - sent rough draft of something to LT. Something about disaster monies - in this case, 2015 - public works worked directly with FEMA . Project work sheets worked up for OC expenses. Over \$100,000 in invoices for 2015 fires that have not been paid - also EOC(emergency operations center) expenses that haven't been dealt with. If fund runs low, there are transfer funds. Commissioners and Perry saw Maurice Goodall in back of room and brought him in.

Emergency Management - Maurice came in at 14:52

Showed SK some of the bills they have right now, what they have paid, what they can hold off on - almost \$300,000 - if they approve it, county pays it first and then gets reimbursed (*from some agency/grant*) Maurice believes he has enough in his budget to start this process, so county can get reimbursed - helps cash flow. Hoping to get some grant monies to pay for some salaries too - \$448,116 - not sure what this number refers to? SK-if worst case scenario - does he have the cash flow to pay some of this stuff to get reimbursed? Maurice says yes.

PH -would be nice if they will process this stuff before we pay them....playing leap frog

3:15 PM Prosecutor Office - Karl Sloan

Prosecutors office is full - was hoping for a transfer of money to fill in the gap. Doing okay because they have one temp worker right now.

LM- Is there Therapeutic Court Money? Prosecutor says he doesn't get to decide how to divvy out that money.

LM -Is there a way the office can increase the money they receive from Therapeutic court?? Prosecutor thinks there may be a way to get 1/10 of 1% of the sales tax to go towards their office. Was discussed way back when city/county were talking budgets. (*Apparently, commissioners can impose this part of tax for city and county to use for criminal justice system*)

LM- of the other 4 depts in prosecutors office, do you get any say in where the money goes from therapeutic court?

LT wonders how much time the prosecutors spend in drug court or DUI court. About 20% of time spent here.

LM has looked at carry over figures from this TC fund - always at least \$300,000. If we are paying more now to deal with above, why can't we get more from this special fund. If commissioners agree to it - may need to get a loan from Public Works (an interfund loan.)

SK- We may need to look at mid budget adjustments - have nothing in reserves right now. Even if everything lines up - how are we going to pay salaries, pay bills, and get a reserve fund going. Possibly a 32-35 hr work week, or eliminating a position, decrease pay.

Karl - may need to look at criminal justice budget - a portion of that will have to go to state but majority goes city/county. Their biggest expense is software in December - Karl states not much room to cut anything.

SK- We are down on sales tax right now.

Karl - Most of counties have already imposed the 1/10 of 1% a while ago -

RC- Our county has less of a cash flow.

Prosecutors office left at 3:30.

3:45 PM - Finance Committee - Discussion

LM -More talk about the cash flow shortage and why and how to approach

LT- we spent 1.45 million - expenditures increased the past two years and revenues didn't come in. Big hit to the forestry industry, cattle industry, lack of tourism due to fires, Canadian dollar down, etc.

RC - doesn't want to tax the people who are already hurting any more

SK - wants to know how we are going to fix this between now and June 1st - wants to have a plan more than just interfund loan.

JD - wants to look at PH proposal and start a revenue fund.

SK- doesn't want to be pushed into a fast decision to deal with the shortfalls. Concerned it might not just be a 500,000 loan and with revenues we are getting, it might be more we need.

All are talking about monies they are expecting to receive from various sources - FEMA, \$125,000 but won't receive all of that, current expense reserve is \$279,309.

JD -What do we have in medical reserve - \$305,399.76.(\$56,000 budgeted for health insurance) There is some Premera money available.

Carrie says to look at what is readily available. Also is money in vehicle expense reserve. BOCC needs to have this resolution established and into the paper.

SK states we still don't have a longer term plan for the rest of the year.

LM - if interfund loan needed, treasurer's office charges 3.5% because that is what bank charges.

Carrie is warning BOCC - she is really conservative - wants to get a resolution that has some leeway in it in case county needs more money.

LM - What does BOCC feels comfortable with?

SK -Feels if we take an interfund loan we will still need to look at 32 hour work week or layoffs, or 2% cut in pay.

LM says we may not need loan and will look closely at how week goes... but, as Laurie says - need the transfer from vehicle reserve and the current expense reserve and possibly medical reserve (but need to look at language around that reserve fund that it might be only for medical use) The ad needs to state all of above. Thinks the interfund loan will have to be a separate ad but not sure. Possibly could be done with a commissioners resolution.

Marcy Stamper from Methow Valley News walked into meeting

Discussion around some confusion about the Medical Reserve fund - how much is available - seems to be less than the above number of \$305,399

SK wants to know if Wed they should start going over budgets...

LM wants to see where they are with all different depts. - need to get Juvenile Dept in as well.

Carrie says maybe we need to wait a little bit before they can truly determine what cuts will need to be made.

LM will be emailing everyone pretty frequently - they know they have over 800,000 due this month

Marcy chatting with BOCC - wants them to summarize what meeting entailed.

JD -Explaining - Auditor and Treasurer showed up last Tues and basically said red flags went up due to cash flow. Tried to determine what happened - did depts. overspend? But, last year, FEMA had already given us a check by now. WDFW - County charged them \$500,000+ and only got \$121,000. Fires played havoc with projected revenue- at least \$250,000 low in revenue- longshoreman's strike caused apples to be dumped - cattle industry hit - *(all of the reasons described at the beginning of these notes)* May have to get an interfund loan from Public works (can use Solid Waste money as they now use new technology to cover the garbage that will make landfill area last much longer so they won't need money till some time down the road). JD talked about legislation allowing for this interfund loan. May not need it. Will be shifting current surplus line items back into budget to help - i.e. \$75,000 in vehicle reserve, \$90,000 coming from FEMA, \$280,000 in supplemental monies, \$305,000 in medical reserve, and money still to come in from Fish and wildlife - got \$23,000 + from them today.

Lanie came to take down our names before we left. Basically, although they had not adjourned, they were just being further interviewed by Marcy and Lanie said all they would do now is approve minutes and RC had to leave anyway. Randy from Central Services popped in briefly to return Ray Campbell's computer. Notetakers left at 4:35pm.