

2019 Annual Budget Adoption

Public Hearings

Contact information:

Shawn Hennessee, County Manager, 564.397.2232, shawn.hennessee@clark.wa.gov

Clark County Budget Office, 564.397.6097, emily.zwetzig@clark.wa.gov

- 2pm Monday, December 3, 2018
- 6pm Tuesday, December 4, 2018
- 10am Wednesday, December 5, 2018

All meetings held at the Sixth-floor hearing room, Public Service Center, 1300 Franklin Street



Agenda

- Challenges
- Summary of recommendations
- Major Fund Summaries
 - General Fund
 - Road Fund
 - Building Fund
 - Real Estate Excise Tax Funds (REET 1 and 2)
 - Mental Health Sales Tax Fund
- Property Tax Levies
- Testimony
- Approval of Budget or Continue Hearing



2019 challenges

Clark County continues to face the ongoing challenge of a structural deficit, a systemic problem for counties across the state that results from expenses growing faster than revenue.

- Approximately two-thirds of the county's General Fund expenses are personnel-related, with growth that is driven by wage increases required to be competitive in the local market, medical employer contributions and state-mandated retirement rate increases.
- Many areas are pressured by an increase in demand for services, new mandates and rising costs to include aging technology, infrastructure replacement and major maintenance.



2019 challenges, *continued*

The General Fund is also under pressure with similar issues relating to demand for services and rising costs.

- On the revenue side, although sales tax dollars linked to the economy show healthy growth, we have recognized departmental revenue declining in several other areas.
- The requests submitted for new General Fund dollars far outweigh the revenue capacity to offset them.



County Manager recommendations

The recommended budget is fiscally conservative and prioritizes limited funds with a focus on:

- *Preserving adequate reserves*
- *New requests that benefit multiple or all departments/offices*
- *Protecting critical and mandated functions*



Summary for 2019 recommended budget

The recommended balanced budget includes:

- Preservation of General Fund reserves per county policy
- A small number of requests for new General Fund dollars due to limited resources
- Enacting the 1 percent property tax increase to generate \$632,953 in additional revenue
- Increasing sales tax revenue forecasts for 2019 by \$1.7 million
- Realizing \$395,000 in cost saving budget interventions
- \$1.6 million in Building Fund requests
- \$21.6 million in Road Fund requests
- \$7.9 million in Real Estate Excise Tax (REET 2) requests
- \$2.6 million in Mental Health Sales Tax Fund requests



2019 Budget *new funding requests*

Total of 156 budget requests/decision packages were received by the Budget Office. Requests were primarily related to:

- Software and cybersecurity needs
- Critical law and justice safety needs
- Maintaining service levels/meeting increased workload demands
- Infrastructure upkeep and replacement
- Revenue forecast updates
- Recognizing items with no impact on fund balance: grants, contractual reimbursement, technical adjustments

Net impact of all “requests” is a countywide fund balance decrease of \$67 million – \$10.8M general fund, \$56.2 all other funds.



General Fund *recommended requests* *net impact on fund balance*

| Available fund balance (millions) | 2019 |
|--|----------|
| Estimated beginning | 24.32 |
| Revenue budget | 163.94 |
| Expense budget | (164.55) |
| 2018 Final Supplemental Impacts (<i>not in baseline</i>) | (.67) |
| 2019 Recommended baseline adjustments | (.45) |
| 2019 adopt requests - recommended | 1.72 |
| Projected ending fund balance | 24.3 |
| Reserve amount (<i>per policy</i>) | (24.3) |
| Projected available fund balance | 0 |



Road Fund *recommended requests*

Road Fund requests amount to a net decrease in fund balance of \$21.4 million for 2019.

| Available fund balance (millions) | 2019 |
|--|---------------|
| Estimated beginning | 18.2 |
| Revenue budget | 63.2 |
| Expense budget | (59.0) |
| 2019 adopt requests – recommended | (21.4) |
| Projected ending | 1.0* |

*Public Works is preparing a decision package for the 2019 Spring Budget Supplemental that will result in a revised fund balance of \$10.4 million.

| | |
|---|-------------|
| <i>Increase Revenue Budget: grant funding and elimination of Public Works Trust Fund</i> | 5.9 |
| <i>Decrease Expense Budget: reduction of professional services, traffic control devices</i> | 3.4 |
| Planned projected ending | 10.4 |

The Road Fund Balance Reserve Policy is being developed and will be presented to council for review in 2019.



Building Fund *recommended requests*

Building Fund requests amount to a net fund balance decrease of \$1.6 million for 2019.

| Available fund balance (millions) | 2019 |
|--|--------------|
| Estimated beginning | 4.7 |
| Revenue budget | 11.5 |
| Expense budget | (10.9) |
| 2019 adopt requests - recommended | (1.6) |
| Projected ending | 3.7 |

The Building Fund Balance Reserve Policy is being developed and will be presented to council for review in 2019.



Real Estate Excise Tax REET 1 (first quarter of 1 percent)

Real Estate Excise Tax, REET 1, dollars are depleted. Fund balance will need to rebuilt from 2019-2026 before new items can be funded.

| Available fund balance (millions) | 2019 |
|-----------------------------------|--------------|
| Estimated beginning | (2.9) |
| Revenue budget | 7.4 |
| Expense budget | (4.7) |
| Projected ending | (0.2) |

The REET 1 Fund Balance Reserve Policy has been drafted and will be presented to council for review in late 2018.



Real Estate Excise Tax *recommended requests* REET 2 (second quarter of 1 percent)

Real Estate Excise Tax, REET 2, requests amount to a net fund balance decrease of \$7.9 million for 2019.

| Available fund balance (millions) | 2019 |
|--|--------------|
| Estimated beginning | 11.2 |
| Revenue budget | 6.3 |
| Expense budget | (1.5) |
| 2019 adopt requests - recommended | (7.9) |
| Projected ending | 8.1 |

The REET 2 Fund Balance Reserve Policy has been drafted and will be presented to council for review in late 2018.



Mental Health Sales Tax Fund *recommended requests*

Mental Health Sales Tax Fund requests amount to a net fund balance decrease of \$2.6 million for 2019.

| Available fund balance (millions) | 2019 |
|--|--------------|
| Estimated beginning | 8.2 |
| Revenue budget | 8.9 |
| Expense budget | (6.6) |
| 2019 adopt requests – recommended | (2.6) |
| Projected ending fund balance | 7.9 |
| <i>Reserve amount (per policy)*</i> | (4.8) |
| Projected available fund balance | 3.1 |

**The Mental Health Sales Tax Fund Balance Reserve Policy was adopted by the council on September 25, 2018.*



Property tax levies



Property tax

The council adopts levies supporting the budget and each year considers the following property tax levies:

- General Fund, including subordinate levies: Veterans, Mental Health and Developmental Disabilities
- Road Fund
- Conservation Futures
- The Greater Clark Parks District levy is considered separately when the council convenes as the GCPD board.
- Property tax is stable, grows with new construction and possible 1 percent annual increase.
- Current baseline forecast includes growth from new construction at ~40% higher than the prior year based on preliminary data.



2019 Property tax options

| | | 2019 Choices Revenue Impact | | |
|----------------------|-------------|--------------------------------|------------|-----------------|
| Levy | 2018 Choice | 0% | 1% | Banked Capacity |
| General Fund | 1% | \$ 0 | \$ 634,644 | \$ 1,410,442 |
| Road Fund | 0% | \$ 0 | \$ 399,246 | \$ 2,203,012 |
| Conservation Futures | 0% | \$ 0 | \$ 24,712 | \$ 301,377 |
| Parks | 0% | \$ 0 | \$ 34,698 | \$ 63,014 |

| | | 2019 Choices Impact on Median* Household | | |
|----------------------|-------------|---|---------|-----------------|
| Levy | 2018 Impact | 0% | 1% | Banked Capacity |
| General Fund | \$ 3.46 | \$ 0 | \$ 3.41 | \$ 7.59 |
| Road Fund | \$ 0 | \$ 0 | \$ 4.66 | \$ 25.70 |
| Conservation Futures | \$ 0 | \$ 0 | \$ 0.13 | \$ 1.62 |
| Parks | \$ 0 | \$ 0 | \$ 0.61 | \$ 1.11 |

* 2018 Median Household Price of \$349,900 per RMLS data posted August 2018
Current year property taxes act upon the value of the property as it was in the prior year.



History on property tax increases

General Fund

- County Council has foregone the 1% increase in 5 of the past 7 years.
 - The cumulative impact is \$14.9 million dollars less for the general fund.
 - The impact compounds, and is now at \$3.2 million dollars less annually.

Road Fund

- County Council has foregone the 1% increase in 8 of the past 9 years.
 - The cumulative impact is \$17 million dollars less for road fund activities.
 - The impact compounds, and is now at \$3.4 million dollars less annually for road fund activities.
- The Road Diversion has been in place since 2007.
 - To date, \$47.4 million has been diverted from road fund activities.
 - For context, the 2019 Annual Construction Program was \$46.4 million.
 - Currently the diversion pays for a portion of Sheriff patrols in unincorporated Clark County.



2019 Property tax from new construction

| Levy | 2019 New Construction |
|----------------------|------------------------------|
| General Fund | \$ 1,662,320 |
| Road Fund | \$ 1,119,885 |
| Conservation Futures | \$ 64,728 |
| Parks | \$ 110,092 |

In addition to potential property tax increases presented in the previous slide, new construction is forecasted to bring in tax revenue in the amounts above, which are included in baseline forecasts.



2019 Property tax: General Fund subordinate levies

- Levy amount for mental health and developmental disabilities may be based on a flat rate of \$0.0125 per \$1,000 of assessed value, or it may be increased or reduced in same proportion as the prior year's certified county general levy.
- Veterans standard minimum rate is \$0.01125 and maximum is \$0.27 per \$1,000 of assessed value. Rate can be below minimum if Veterans Assistance Fund has sufficient fund balance , or levy amount may be increased or reduced in same proportion as the prior year's certified county general levy.



2019 subordinate levy options: Mental Health, Developmental Disabilities, Veterans Assistance

| Levy | 2018 Choice | 2018 Amount | 2019 Minimum Rate | 2019, Same change as GF | | |
|-----------------------|--------------|-------------|-----------------------|-------------------------|----------------------|----------------------|
| | | | | GF 0% | GF 1% | GF Bnkd Cap |
| Mental Health | Proportional | \$ 718,288 | \$ 813,057 0.0125 | \$ 738,100 0.0114 | \$ 745,283 0.0115 | \$ 754,063 0.0116 |
| Dev. Disabilities | Proportional | \$ 718,288 | \$ 813,057 0.0125 | \$ 738,100 0.0114 | \$ 745,283 0.0115 | \$ 754,063 0.0116 |
| Veteran's Assistance* | Proportional | \$ 646,458 | \$ 731,752 0.01125 | \$ 664,290 0.0102 | \$ 670,754 0.0103 | \$ 678,657 0.0104 |

* In lieu of a levy increase, a 2017 readopt decision package established an annual ongoing transfer of \$118,468 from the General Fund to the Veteran's Assistance Fund to support the program and for increasing needs for housing assistance.



2019 Property tax choices

For each levy, please choose one option:

1. Maximum lawful levy plus one percent (use banked capacity).
 2. Last year's levy plus one percent (maintains banked capacity).
 3. Last year's levy plus zero percent (banks additional capacity).
 4. Last year's levy plus zero percent, no resolution (no new banked capacity added).
- Resolutions already have language to include increases for new construction and administrative refunds.
 - Please also choose General Fund subordinate/earmarked levy behavior – proportional, minimum levy rate, or specific dollar amount.



Move to approve
or
Move to continue

