

CLARK COUNTY STAFF REPORT

DEPARTMENT: Community Development

DATE: January 22, 2019

REQUESTED ACTION: Clark County Council (Council) approval to adopt a formal fund balance policy for the planning and code fund

X Consent Hearing County Manager

BACKGROUND

One of Clark County's top priorities is to maintain its long-term financial stability. To achieve this priority, fiscal best practices indicate it is necessary to maintain appropriate reserve levels. Adopting a formal fund balance policy for the Planning and Code Fund will help ensure the County meets its financial and service obligations associated with land use and building permits.

The action requested is for the Council to approve and adopt a formal fund balance policy for the Planning and Code Fund (Attachment A).

COUNCIL POLICY IMPLICATIONS

A fund balance policy establishes minimum levels for designated funds to ensure stable service delivery, meet future needs, and protect against financial instability. The Council has the authority to direct the use of these funds as well as the authority to approve this policy.

ADMINISTRATIVE POLICY IMPLICATIONS

Not applicable.

COMMUNITY OUTREACH

None necessary.

BUDGET IMPLICATIONS

The reserved fund balance level established in this policy will be reviewed, assessed and recalculated on an annual basis and reflects a 6-month work in progress consisting of operational costs.

YES	NO	
		Action falls within existing budget capacity.
		Action falls within existing budget capacity but requires a change of purpose within existing appropriation
		Additional budget capacity is necessary and will be requested at the next supplemental. If YES, please complete the budget impact statement. If YES, this action will be referred to the county council with a recommendation from the county manager.

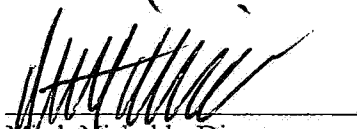
BUDGET DETAILS

Local Fund Dollar Amount	
Grant Fund Dollar Amount	
Account	Planning and Code Fund (1011)

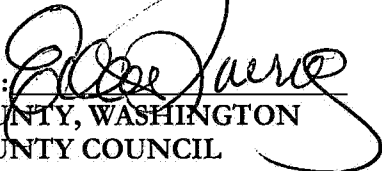
Company Name	
--------------	--

DISTRIBUTION:
Council staff will post all staff reports to The Grid. <http://www.clark.wa.gov/thegrid/>


Bob Bergquist
Administrative Services Manager


Mitch Nickolds, Director
Community Development

Primary Staff Contact Name and Extension: 4067

APPROVED: 
CLARK COUNTY, WASHINGTON
CLARK COUNTY COUNCIL

DATE: Jan. 22, 2019
SR# 06-19



APPROVED: _____
Shawn Hennessee, County Manager

DATE: _____



Attachment A (subsequent pages)



CLARK COUNTY FINANCIAL POLICY

Policy Name	Planning and Code Fund Fund Balance Reserve Policy	Policy No.	FB-11	Date Adopted	01/22/19
Approval Authority	Clark County Council	Policy Origination Date	November 16, 2018		
Responsible Department/Office	Community Development	Responsible Elected Official/Director	Community Development Director		
Fund Manager	Community Development Director	Policy Revision No.	v0-3	Date Revised	11/16/2018
Fund No.	1011	Fund Type	Special Revenue Fund		

1. Fund Description.

The Planning and Code Fund was established in 1970 to accumulate building and land use permit revenues for designated General Fund activities and account for the cost of the expense associated with providing these services.

a. Legal References (All Applicable Federal, State, and Local Laws).

- i. RCW 82.02.020: State preempts certain tax fields—Fees prohibited for the development of land or buildings—Voluntary payments by developers authorized—Limitations—Exceptions.
- ii. Clark County Code: Title 6: APPLICATION AND SERVICE FEES, Chapter 6.100 COMMUNITY DEVELOPMENT AND COMMUNITY PLANNING APPLICATION AND SERVICE FEES—PURPOSE AND STANDARD PROVISIONS
- iii. Clark County Code Title 40: Clark County, Washington, Unified Development Code

b. Major Revenue Source(s):

Major revenue sources include building & land use permit fees, and transfers from the General Fund.

2. Uses.

a. Permissible Use(s):

The county is allowed to collect reasonable fees from an applicant for a permit or other governmental approval to cover the cost of processing applications, inspecting and reviewing plans, or preparing detailed statements required by the State Environmental Policy Act (SEPA). General Fund designated activities are self-sustaining and do not use fee revenue.

b. Current Use(s) of Fund.

The county uses this fund to cover the total expenses that are reasonable and proportionate to the costs of processing applications, inspecting or reviewing plans, or preparing detailed statements required by SEPA.

The Clark County Council has the authority to direct the use of these funds and can revise directives through a resolution, as desired.

3. Revenue Volatility.

Leading Indicators

The leading indicators below are intended to help identify early signs of changes in workload, revenue trends, and associated resourcing requirements. If any change in the leading indicators is apparent, Community Development will analyze the data for any anomalies. If no anomalies are found, the Fund Manager will review its business continuity plan triggers:

1. In any 3-month period the Community Development costs are more than the revenues, for Fund 1011.
2. If any of the following total number of permit applications received for the most recent 3 months is 5% or more below the total number of the same permit applications received for the same period of time in the previous year:
 - Land Use
 - Final Plat
 - Building
 - Wetland and Habitat Review
3. The number of walk-in customers served in the permit center for the most recent three months is 5% or more below the number of walk-in customers for the same period of time in the previous year.

Business Continuity Plan Triggers

While comparing data to a previous year for the same period of time, the reduction measures outlined in the Community Development Business Continuity Plan will be triggered by any circumstance in which any four of the five following conditions occur at the same time:

1. Community Development programs relying on Fund 1011 cumulative cost recovery rate is below 100%;
2. Community Development reserves are below the minimum reserve goal of 6 months of total expenditures;
3. The Fund 1011 revenues have been declining consistently for the previous six months and are below the same six months of the prior year;
4. The total value of all building permit applications received through Fund 1011 permitting activity has been declining consistently for the previous six months and are below the same six months of the prior year;
5. The total number of all building permit applications received through Fund 1011 has been declining consistently for the previous six months and are below the same six months of the prior year.

4. Fund Reserve.

Fund Reserve - A fund reserve will be maintained that uses a baseline of prior 6-month revenues rolling averaged to arrive at a 6-month work-in-progress (WIP). WIP represents the commitment of County services to process permits based upon the prior six months of permit application revenues. The fund balance reserve amount shall be calculated and reassessed on an annual basis during the month of April.

5. Revision History

Revision	Date	Description of changes	Requested By
v0-1	4/4/18	Established fund policy based on Clark County Financial Policy template.	Finance Team
v0-2	10/29/18 and 11/08/18	Revised drafts following Finance Team meeting on 10/29/18	Finance Team
V0-3	11/16/18	Final editorial updates	Budget Office

Period	Detail	Amount
2017-18	Beginning Fund Balance	4,557,790
2017-18	Budgeted Revenue	23,850,406
2017-18	Budgeted Expense	-23,462,945
2017-18	18FL Recommended Pkgs	-282,081
2017-18	Forecasted Ending Fund Balance	4,663,171

2019	Forecasted Beginning Fund Balance	4,663,171
2019	Budgeted Revenue	11,523,025
2019	Budgeted Position Expenses	-8,464,656
2019	Budgeted Controllable Expenses	-2,381,946
2019	19AD Ongoing Requests - Payroll	-544,453
2019	19AD Ongoing Requests - Controllables	-270,053
2019	Forecasted Ending Fund Balance Subtotal	4,525,088

2019	19AD One-time requests	-553,600
2019	Forecasted Ending Fund Balance	3,971,488

Draft Minimum Fund Balance 4,298,066

Long-term Forecast					
Detail	2020	2021	2022	2023	2024
Beginning Fund Balance	3,971,488	3,932,747	3,997,095	4,168,419	4,450,743
Budgeted Revenue	11,892,640	12,274,112	12,667,819	13,074,155	13,493,525
Budgeted Position Expenses	-8,718,596	-8,980,154	-9,249,558	-9,527,045	-9,812,856
Budgeted Controllable Expenses	-2,381,946	-2,381,946	-2,381,946	-2,381,946	-2,381,946
19AD Ongoing Requests - Payroll	-560,787	-577,610	-594,938	-612,787	-631,170
19AD Ongoing Requests - Controllables	-270,053	-270,053	-270,053	-270,053	-270,053
Ending Fund Balance	3,932,747	3,997,095	4,168,419	4,450,743	4,848,242
Draft Minimum Fund Balance	4,298,066	4,298,066	4,298,066	4,298,066	4,298,066
Fund Status	(365,319.40)	(300,970.60)	(129,647.34)	152,677.04	550,176.23



Community Development Business Continuity Plan

Revenue Volatility

Leading Indicators

The leading indicators below are intended to help identify early signs of changes in workload, revenue trends, and associated resourcing requirements. If any of the leading indicators is apparent, Community Development will analyze the data for any anomalies. If no anomalies are found, Community Development will notify the County Manager:

1. In any 3-month period the Community Development costs are more than the revenues, for Fund 1011.
2. If any of the following total number of permit applications received for the most recent 3 months is 5% or more below the total number of the same permit applications received for the same period of time in the previous year:
 - Land Use
 - Final Plat
 - Building
 - Wetland and Habitat Review
3. The number of walk-in customers served in the permit center for the most recent three months is 5% or more below the number of walk-in customers for the same period of time in the previous year.

Business Continuity Plan Triggers

While comparing data to a previous year for the same period of time, the reduction measures outlined in the Community Development Business Continuity Plan will be triggered by any circumstance in which any four of the five following conditions occur at the same time:

1. Community Development programs relying on Fund 1011 cumulative cost recovery rate is below 100%;
2. Community Development reserves are below the minimum reserve goal of 6 months of total expenditures;
3. The Fund 1011 revenues have been declining consistently for the previous six months;
4. The total value of all building permit applications received through Fund 1011 permitting activity has been declining consistently for the previous six months;
5. The total number of all building permit applications received through Fund 1011 has been declining consistently for the previous six months.

Measures

If the business continuity plan is triggered, operational expenditures will be adjusted as soon as practicable by reducing expenses as needed.

Community Development expenditure reduction measures will generally be as follows:

- Assess workload needs and staffing levels and implement any obvious efficiency issues;
- Prioritize programs and services, and reduce or eliminate lowest priority programs and services as needed;
- Cease all hiring processes; keep positions vacant; realign and consolidate the workforce;
- Reduce spending, including but not limited to: office supplies, professional services, operating supplies, subscriptions, training, travel, association membership dues, equipment, and tools;

- Eliminate temporary and seasonal positions;
- Eliminate limited term positions;
- Provide retirement incentive options to employees who are eligible to retire, and subsequently eliminate or restructure positions that become vacant.

Measures outlined above can be implemented in any order or combination depending on the severity and/or duration of the drivers associated with the reduction in revenues.

Once implemented, the measures outlined above would be monitored and adjusted as necessary to maintain the department's financial stability and its ability to provide the required services to the public.

Fund Reserve

Fund Reserve - A fund reserve will be maintained that uses a baseline of prior 6-month revenues rolling averaged to arrive at a 6-month work-in-progress (WIP).