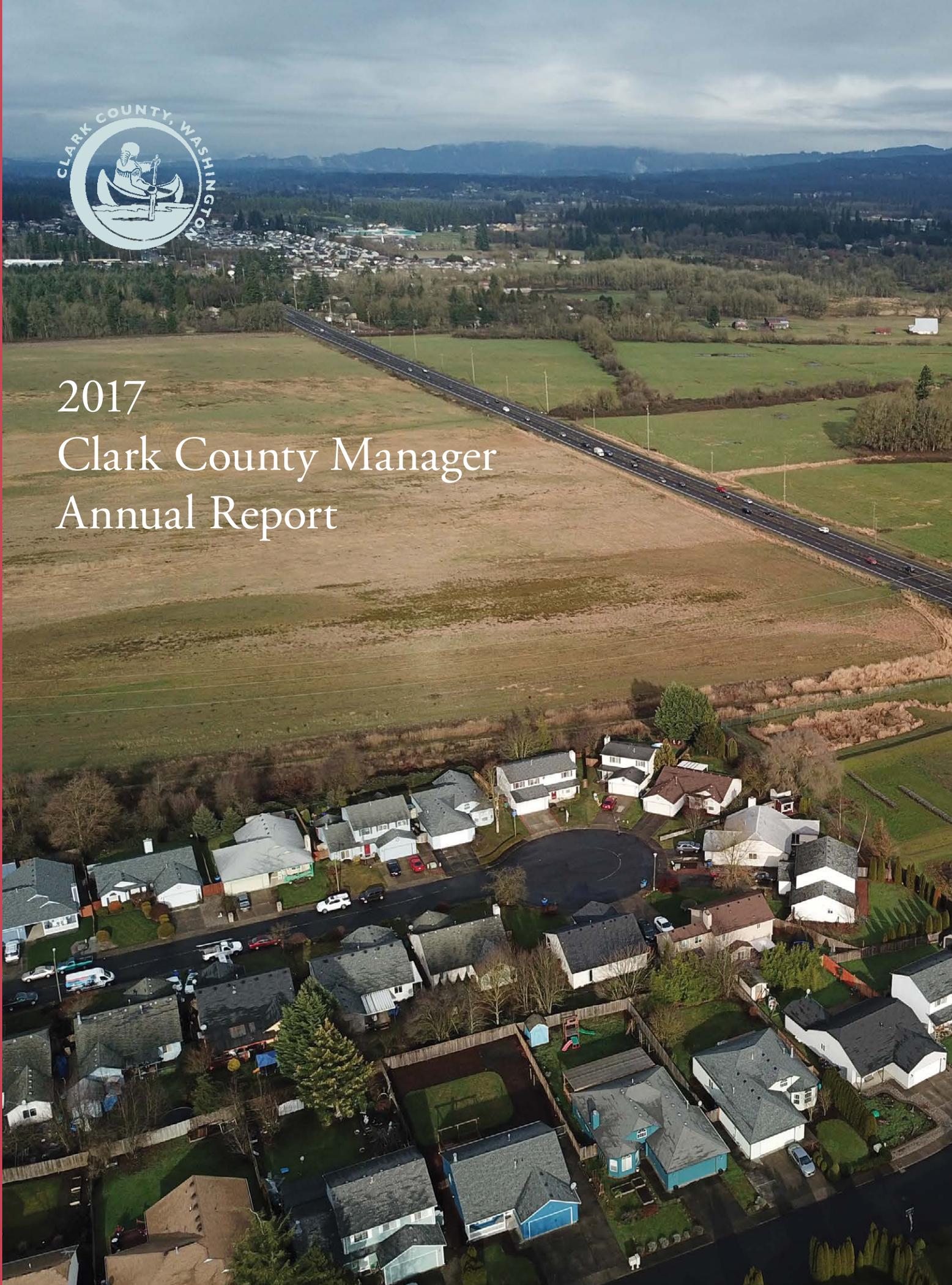




2017 Clark County Manager Annual Report



To: Clark County Council

From: Interim County Manager Jim Rumpeltes

The Clark County Charter requires me, as county manager, to prepare an annual report for the council concerning the county's fiscal and governmental affairs. It is with pleasure that I transmit that report.



Credit overview

One measure of Clark County's fiscal condition is its credit rating.

The county has "a very strong credit position," according to a Jan. 31, 2018 annual report by Moody's Investors Service. "Its Aa1 rating is slightly above the median rating of Aa2 for U.S. counties. The notable credit factors include an extensive tax base with a healthy socioeconomic profile, a very solid financial position, a moderate debt burden and a somewhat inflated pension liability."

The county's debt burden is small and is a modest credit strength with respect to the assigned Aa1 rating. Moody's reports that the county is in "a healthy financial position...roughly aligned in relation to its Aa1 rating."

Still, its General Fund balance as a percent of operating revenues, at 23 percent, is slightly below the U.S. median, but has remained flat. The cash balance as a percent of operating revenues, at 16.7 percent, is "materially lower" than other Moody's-rated counties nationwide, the report states. The balance is only slightly higher than Clark County's reserves policy requires,

and the General Fund balance is expected to decline in the next two bienniums, according to the Clark County Budget Office.

The county's pension liability, according to Moody's, is somewhat inflated and unfavorable in comparison to its Aa1 rating.

Supplemental 2017-2018 General Fund budget \$323.2 million, up from \$314 million in 2015-2016

The council adopted the biennial budget in December 2016, and it went into effect Jan. 1, 2017. Prior to adoption, the General Fund, which includes all discretionary revenue, faced a shortfall of \$22.6 million, or 7 percent of expenses. The shortfall was due to a combination of continued sluggish revenue growth and:

- rising personnel costs, including state-mandated retirement contribution rates
- increases in the cost of providing services as inflation and population grow at a combined rate of 4 percent annually
- increases in maintaining or replacing infrastructure such as financial and payroll

- software, jail security system and telephone system
- revenue losses such as \$1.2 million annually because of the Van Mall North annexation and \$3.3 million biennial loss with termination of the records management contract with Vancouver Police Department
- sales tax leakage to Oregon.

To address the shortfall, the adopted budget included these adjustments:

- Reduction of \$2 million from vacant position savings
- Approximately \$8 million in savings from departmental expense cuts or existing revenue recovery proposals
- Reduction of \$1.3 million to the Sheriff's Office budget
- Use of \$1.3 million of Real Estate Excise Tax instead of General Fund for facilities maintenance
- Revenue increase of \$1.8 million by adopting 0.953 percent property tax levy increase in 2017, assuming a 1 percent levy increase in 2018
- Use of \$1.3 million one-time fund balance.

These adjustments enabled Clark County to meet critical infrastructure needs in 2017, stay fiscally flexible, and maintain reserves.

Under those guidelines, I transmitted to the council in fall 2017 my recommended supplemental 2018 General Fund budget for the second half of the biennium. The Clark County Council has appropriation authority and, by law, must approve a biennial budget every two years and review and readopt it for technical corrections, revenue updates and new items in the off years.

I thank the Budget Office and Finance Team for their expertise and professionalism as they assisted me in the process.

The supplemental budget the council approved on Dec. 5, 2017 included approximately \$2.7 million in new General Fund expenses, including \$1.4 million for one-time expenses. A total of 123 budget requests totaling \$21.5 million had been submitted, but the supplemental budget held a fiscally conservative line.

The budget again addressed critical infrastructure projects, including: \$1.5 million to upgrade an outdated and failing security system at the jail; \$214,000 to start a multi-phased plan to address a needed comprehensive capital improvement program; \$1 million for sidewalk construction; \$223,000 for

stormwater facility maintenance; and \$2.1 million for an online building permit software system.

The jail security system and sidewalks were paid for with Real Estate Excise Tax dollars rather than General Fund dollars. The REET Fund is now depleted and must be replenished in 2019-2020 before the county can pay for new projects or items with REET money.

Other funds

Despite the challenges facing the General Fund, the county's other major funds are performing well. We continue to maintain existing service levels in critical areas, as reflected in the chart to the right.

Program-based budgeting

In 2017, we initiated a process that will be more transparent than in previous years. Introducing a program-based approach to budgeting rather than the traditional incremental method, the Budget Office staff, Finance Team members and I met over several months with all departments and offices to discuss new budget requests and better understand programs and functions.

Incremental budgeting carries forward baseline costs of existing services with some inflationary adjustments. The method is used in the public sector because it is simple to calculate and it provides stability and predictability in operations.

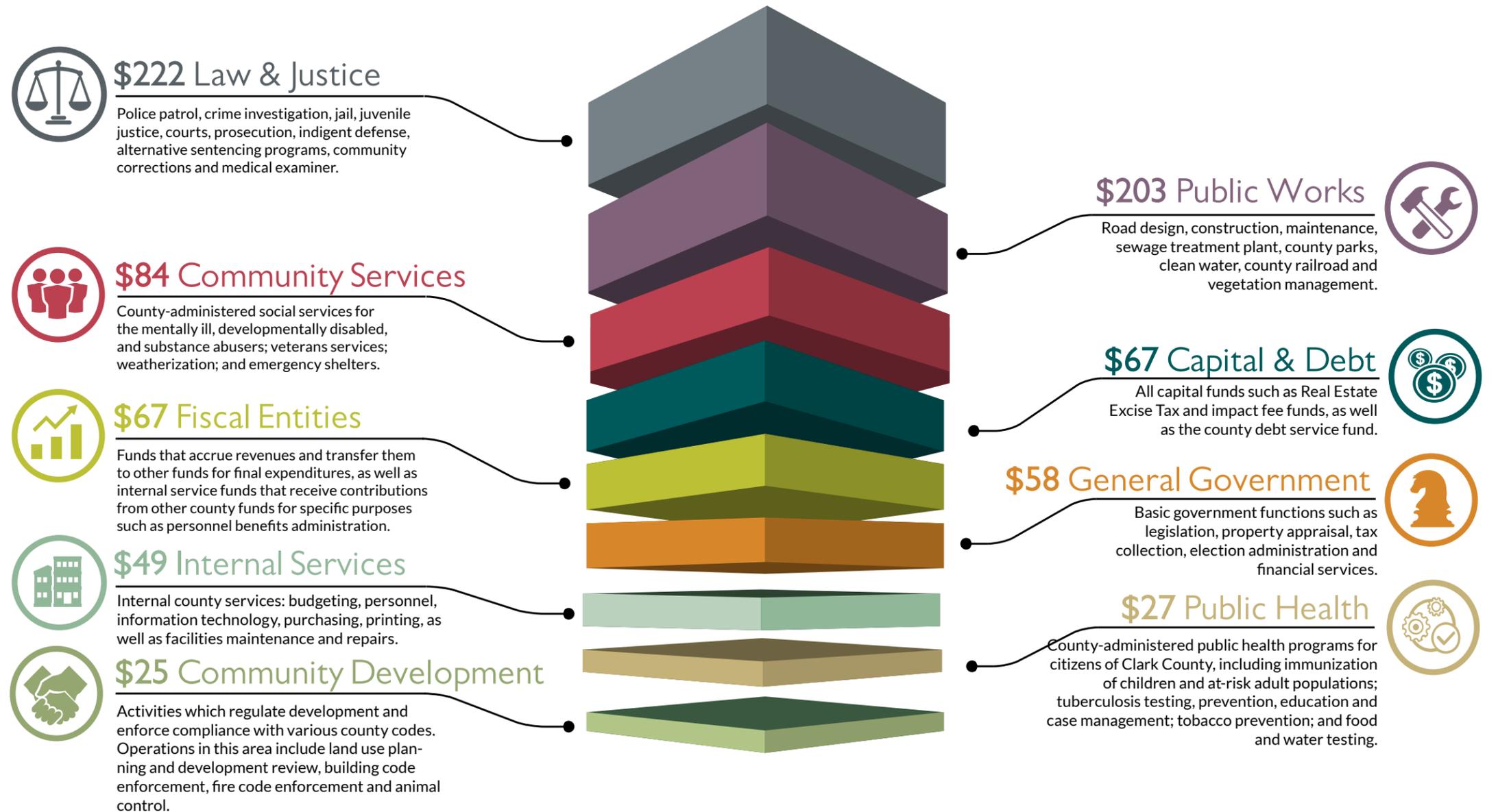
The disadvantage of incremental budgeting is that it does not provide strategic tools to address persistent structural imbalances such as slow revenue growth, cost pressure from health care and pensions or increasing service demands.

The county started working toward implementing a new budget methodology called program budgeting in 2017. The goal is to establish a methodology that will allow the county to make sound, long-term funding decisions. Program budgeting identifies and describes services provided by the county and pairs that information with costs and revenue sources. The method creates a more transparent budget.

2017-2018 adopted budget

dollars in millions

\$802 expense by function excluding \$89 in internal transfers



Program-based budgeting continued

Program budgeting, a recommended Government Finance Officers Association best practice, has the following benefits:

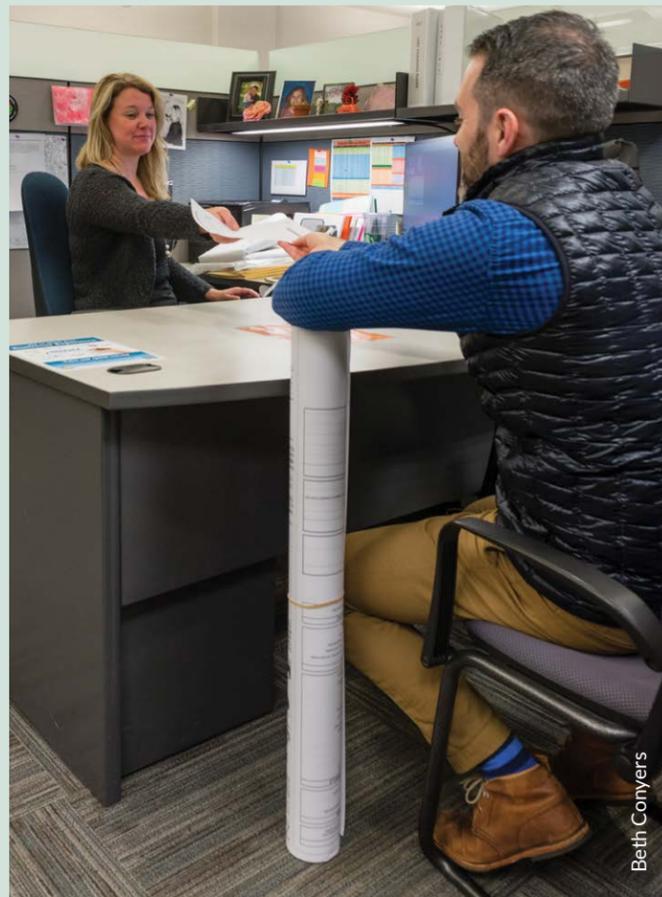
- **Transparency.** Creates true transparency by showing what the government does and how much it costs in a way that is meaningful to residents.
- **Trade-offs.** Provides language for meaningful discussions about making budgeting trade-offs among services.
- **Sourcing.** Allows more useful comparisons to other service providers when considering options such as outsourcing for shared services.

- **Workforce Planning.** Shows how the workforce is associated with programs, which allows governments to better integrate succession planning into the budget process.
- **Performance.** Clarifies the context of programs better than broader categories such as departments and divisions by using performance and measures.

Clark County will continue to address its fiscal realities. Staff members will work with the council to: keep the organization informed about the county's fiscal condition; preserve funding for highly valued programs and services; explore alternative levels of service, fees for service and collaborative partnerships; and achieve a more stable, sustainable level of fiscal wellness.

2017 Accomplishments

The Clark County Charter also states the county manager can report annually on any other topic he or she deems necessary. As interim county manager, I have had the pleasure over the past months to get to know many members of Clark County's talented workforce, and I want to include here some of their accomplishments in 2017. This list is not all inclusive, but represents the fine work the county staff does each day on behalf of the council and community and how some have distinguished themselves in service.



Opposite page: Permit Center staff streamlines permitting process. Above: Adults with disabilities can have satisfying careers and contribute fully to their communities.

Auditor's Office

- The international Government Finance Officers Association recognized the Auditor's Office with a Certificate of Achievement for Excellence in Financial Reporting for its 2016 comprehensive annual financial report. The certificate is the association's highest recognition of governmental accounting and financial reporting.
- The audit of high risk materials management in Public Works, led by Tom Nosack, won a Distinguished Knighton Award from the Association of Local Government Auditors. This is the third consecutive year Clark County earned the distinction.
- Audit Services Manager Larry Stafford was appointed to the national Governmental Accounting Standards Advisory Council, which advises the Governmental Accounting Standards Board on accounting and financial reporting for states and local governments.

Communications

- The Communications team of the County Manager's Office wrote, designed and produced a 108-page Visual Style Guide and 100-page Writing Style Guide as resources for all county employees in their daily work and branding efforts throughout the organization.

Community Development

- Community Development brought the last batch of commercial and residential building permits into an online application system people tap into from their home or office. Customers can apply for, pay for and print out the permits without making a trip to the Permit Center.

Community Services

- The state committed more than \$600,000 to a behavioral and mental health crisis stabilization and triage center that is scheduled to open in late summer 2018 on Lower River Road.
- The Block Grant program received a score of 100 percent compliance for organizational standards from the Washington Department of Commerce.
- Harold Rains of Community Services received the Dennis Campbell Outstanding Service Award for advocacy and assistance in expanding employment opportunities for people with intellectual/developmental disabilities.
- The Developmental Disabilities Program received top scores in monitoring by the state Developmental Disabilities Administration.



Above clockwise: Public Works accredited by the American Public Works Association; Clark County Sheriff's Office accredited by CALEA; Cybersecurity Awareness Program worked to ensure best practices in safeguarding the integrity of documents and data.

Community Services continued

- Clark County Youth House members provided more than 4,400 hours of volunteer service to the community at a value of \$132,000.
- Kris Henriksen, coordinator of Community Services' Teen Talk program, and Anne Johnston, a public health nurse with Public Health, were named Women of Distinction by Washington State University Vancouver.

Human Resources

- Vancouver Business Journal named Clark County winner of its 2017 Healthiest Companies award. The county tied with Clark County Food Bank for the nonprofit or public sector award. The awards recognize companies that have made significant strides in promoting wellness for their employees.

Public Works

- Clark County Public Works became the 129th agency in the nation and the 10th in Washington to be accredited by the American Public Works Association.

Sheriff's Office

- For the 10th time, the Clark County Sheriff's Office earned accreditation from the national Commission on Accreditation for Law Enforcement Agencies. It was given with the Advanced Accreditation with Excellence Award. The Sheriff's Office is the only sheriff's office/department in the state to have earned CALEA accreditation.

Technology Services

- Developed a cybersecurity forensics lab and analysis capability to maintain the integrity of county public documents and data.



I hope my service to Clark County has helped move program-based budgeting and other long-term, countywide initiatives closer to fruition. I have enjoyed working with you and wish you all the best.

Sincerely,

Jim Rumpeltes

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For other formats, contact the Clark County ADA Office

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