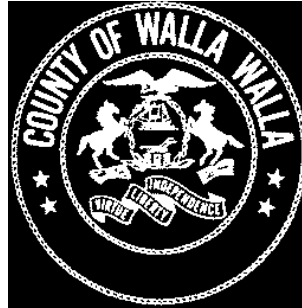


2015 BUDGET FOR WALLA WALLA COUNTY



SITUATION:

UPON COMPILING THE SUBMITTED BUDGET REQUESTS, THE COUNTY AUDITOR AND COUNTY COMMISSIONER BUDGET COMMITTEE MEMBER (COMMISSIONER DOZIER) ADVISED THE COUNTY COMMISSIONERS THAT THE 2015 PRELIMINARY BUDGET WAS APPROXIMATELY ONE MILLION DOLLARS (\$1,037,000) OUT OF BALANCE, EXPENDITURE REQUESTS IN EXCESS OF ANTICIPATED REVENUE. A BALANCED BUDGET HAD TO BE ADOPTED IN 2014 FOR 2015.

WALLA WALLA COUNTY PUBLIC HEALTH AND LEGISLATIVE BUILDING, 314 WEST MAIN
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District No.1
JAMES K. JOHNSON

District No.2
PERRY L. DOZIER

District No.3
JAMES L. DUNCAN

County Commissioners' statement:

As an overview of the County's budget process we, the Walla Walla Board of County Commissioners (BOCC), wanted to give the taxpayers of our county an up-to-date snapshot of the past and the future, as well other related and important information. The BOCC has a fiduciary responsibility to put forth an annual balanced budget based on revenues and expenditures. Many of those expenditures come as a direct result in the form of mandates (mostly unfunded) from Federal and State governments. It is our job and our mission to provide public services, both legally required and those our citizens desire, within legal constraints and available resources. We must balance available funds and needs and then budget to disperse funds in a manner that is responsible in carrying out as many programs and needs for our taxpayers as can be within revenues received.

ABOUT THE COUNTY BUDGET:

- The budget is the only mechanism for managing and supporting ALL the manifold activities of county government at once.
- The vast majority of budgets are already committed to baseline activities and mandates.
- Elected officials, department heads, and community groups often come to the board of commissioners with unforeseen financial needs during the budget year.

THE BUDGET CYCLE

- **July** – budgets out to offices and departments
- **August** – budgets to Auditor
- **September** – compiled preliminary budget to county commissioners
- **September through November** – commissioners work on balancing the budget
- **December:** Pursuant to state statute, the county commissioners hold a hearing on the budget proposed for adoption on the first Monday of the month. A balanced budget must be adopted by December 31.

WHAT IS A FUND?

- A FUND is a fiscal and accounting means of recording cash and other financial resources, liabilities, balances, changes therein, for the purpose of carrying on specific activities.
- Walla Walla County alone has 56 separate funds, MOST OF WHICH ARE DEDICATED FOR SPECIFIC PURPOSES, such as:
 - The Current Expense fund is often referred to as the “general fund”. It typically funds the majority of county operations.
 - The County Road fund is dedicated for the construction and maintenance of roads and bridges.
 - The Law and Justice fund has a main revenue source of the voter-approved criminal justice tax of 3/10s of one percent, and is used for public safety purposes.

OTHER COUNTY SPECIAL REVENUE FUNDS.

Other common special revenue funds, WHICH RESERVES OR FUNDS CAN ONLY BE USED FOR THAT PURPOSE, are:

Fund #	Title	Fund #	Title	Fund #	Title	Fund #	Title
010	Current Expense	11900	Human Services	14700	EMS Taxes	19400	Sheriff's Drug Investigative Fund
10100	Community Development	12000	County Mental Health .01%	14800	911 Enhncd/PUB Com Bldg	30000	Law & Justice Building
10200	Waste Management	12100	Soldier's Relief	15000	WWCo Public Fac Improv	30100	Current Expense Building
10300	Emergency Management	12200	Pros Child Support	15100	Community Outreach Fund	30300	Juvenile Detention Building
10400	Sheriff's Block Grant	12300	Fairgrounds Property	15200	Investment Pool	30400	Fairgrounds Building
10500	Hotel/Motel Tax	12400	Youth Special Services	15300	CE Medical Insurance Reserve	30500	Pub Comm Bldg Fund
10700	Juvenile Justice Center	12600	Mill Creek Flood	15400	LEOFF I FUND	30600	Capital Improvements Fund
10800	Law & Justice	12700	StormWater Mgmt Util Dist	15500	WWCo Watershed Planning	30700	CE Vehicle Fund
10900	Auditor's M & O	12800	WW Noxious Weed Control	15600	County Treasurer Service	31900	Human Services Capital Project
10910	M&O County Portion	13200	Election Equipment Res	16000	WWCo Low Income Housing	50200	Equip Rental Revolving
11000	Treasurer's M & O	13400	Reet Electronic Technology	16010	Homeless Housing	50300	Risk Management
11100	Pros Victim-Witness	13500	Trial Court Improvement Fund	19000	Jail Inmate Welfare	50400	Unemployment Comp
11200	Public Health	13600	CE Retirement Fund	19100	Reward	50500	Technology Services
11500	County Road	13700	Sup Crt & Indgnt Def Emerg	19200	DARE/Great Programs	50600	Central Services Cap Fund
11800	Walla Walla Fair	14600	Emergency Medical Services	19300	Boating Safety		

SOME OTHER HELPFUL DEFINITIONS/INFORMATION:

- **Beginning fund balance:**

The amount the fund is estimated to have in cash at the beginning of the year.

- **Ending fund balance:**

The amount the fund is estimated to have in cash at the end of the year (difference between beginning fund balance and budgeted revenue and expenses).

- ***300 lines are revenues and 500 lines are for expenditures**

313.73.00.0000 – This is a revenue line indicator

512.30.210001 – This is an expenditure line

MAIN COUNTY CURRENT EXPENSE

FUND REVENUE SOURCES:

- Property tax revenue
- Sales tax revenue

PROPERTY TAX AND SALES TAX REVENUE =
67% OF THE CURRENT EXPENSE FUND REVENUE

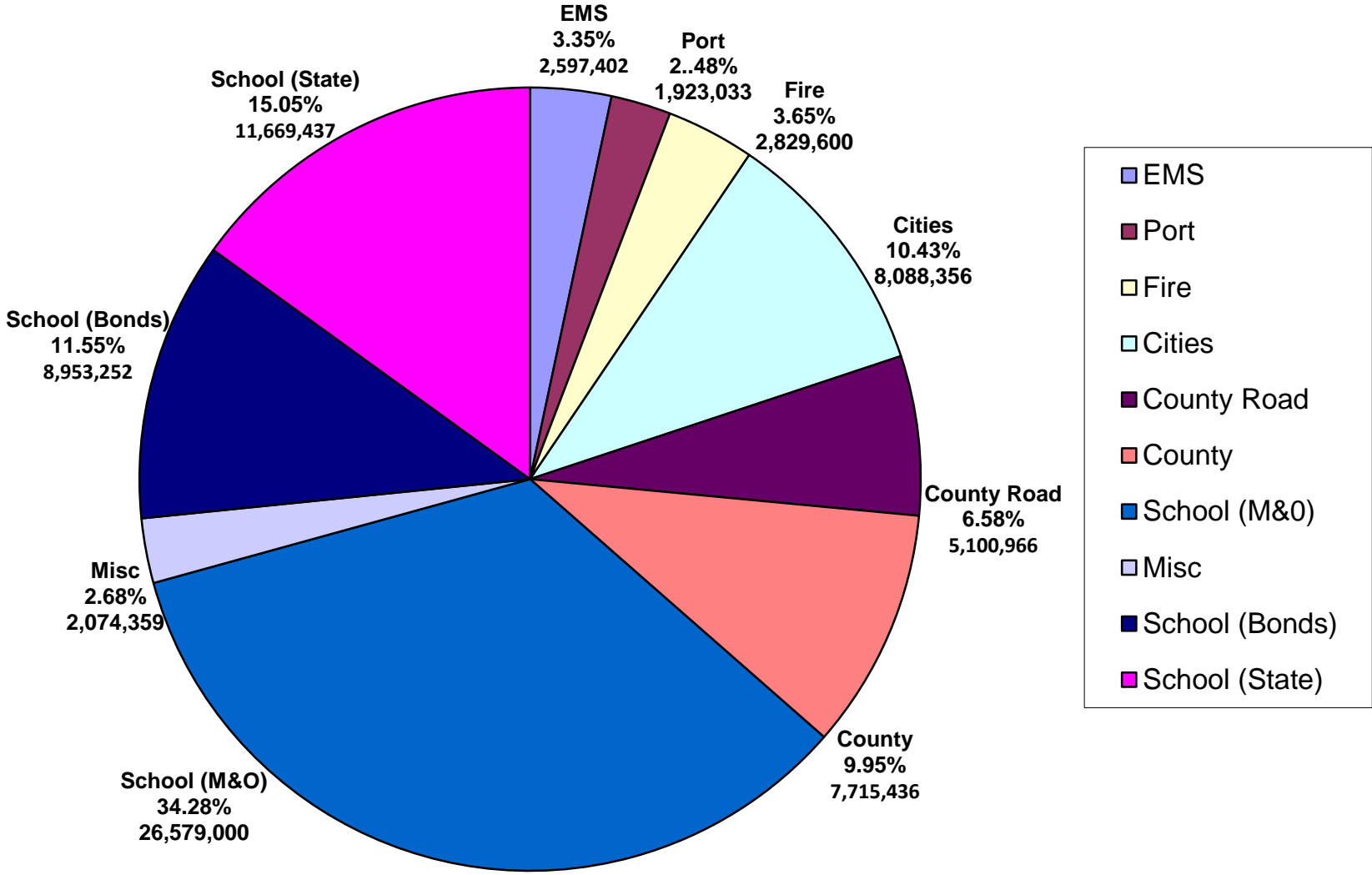
- Investment interest
- Investment on delinquent property taxes
- Other

WHAT ABOUT ALL THOSE PROPERTY TAX REVENUES?

We're glad you asked.

- Of the total \$67,595,494 in tax projected to be collected in 2014, County Road receives \$5,100,966, or 6.58%, for construction and repair of county roads, bridges, and other infrastructure necessary for transportation (private and commercial), and the County (Current Expense fund) receives \$7,715,436, or 9.95% of those monies, for operating the county year-round. (NOTE: As a comparison, in 2013 total taxes were \$65,710,744; County Road received \$4,919,596, or 7.49%, and the County (Current Expense fund) received \$7,356,327, or 11.20%.)
- The remaining 83.47% (increased from 81.31% in 2013) of property taxes collected, as is shown on the graph, goes to voter approved levies or taxes for schools and for the City of Walla Walla street improvements and bonds for the police station and fire station, City of College Place for streets improvements and the new high school, emergency medical services, fire protection, and for the Port of Walla Walla and the other cities.

2014 TAX DISTRIBUTION



TOTAL TAX \$67,595,494

(Source: Walla Walla County Assessor – from county website)

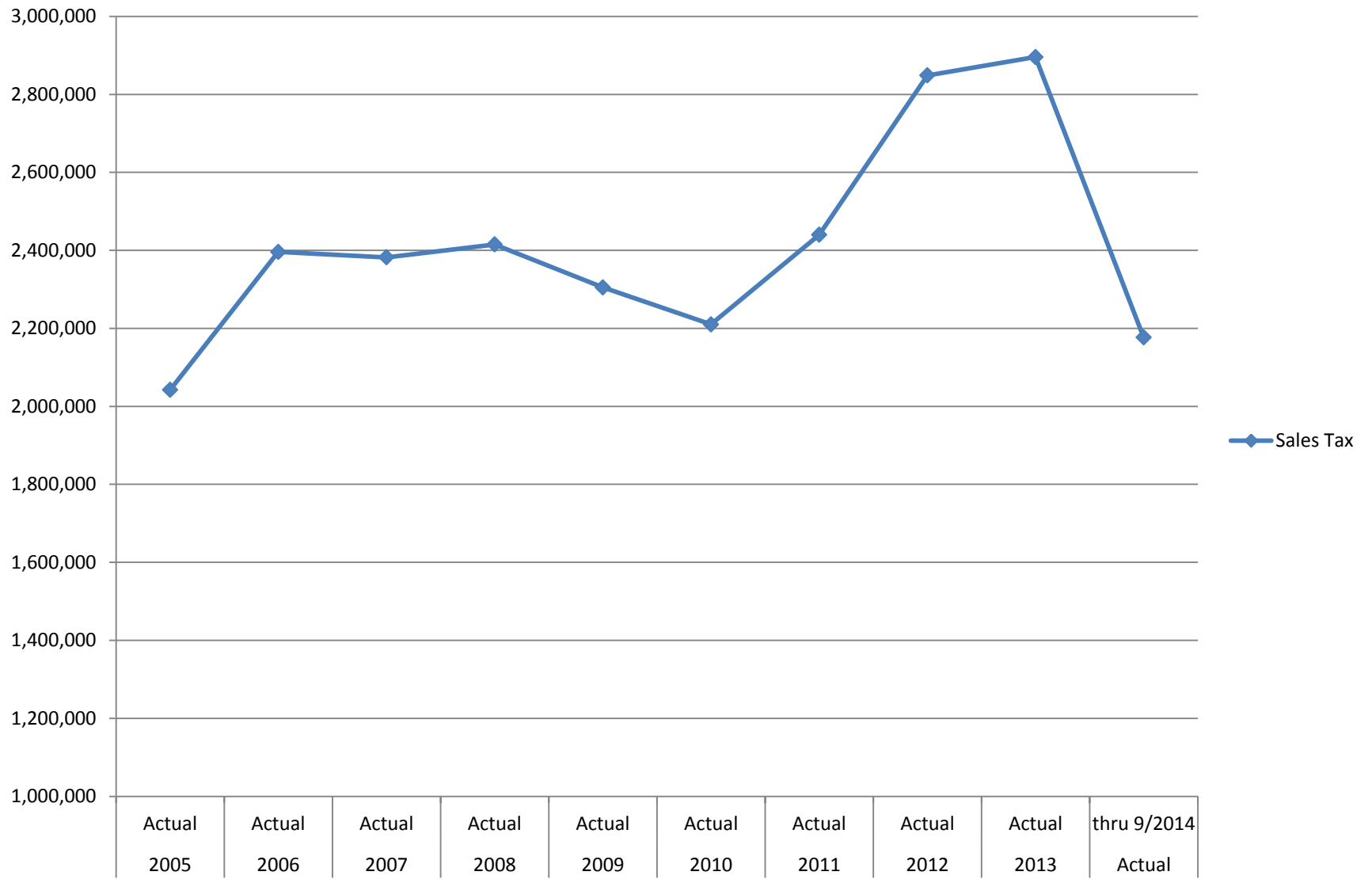
2014 Largest Assessed Value Property Owners & Taxes

<u>Top Ten Taxpayers</u>	<u>Assessed Value</u>	<u>Estimated Taxes</u>
Boise White Paper LLC	\$ 151,807,090	\$ 2,219,089
Broetje Orchards	\$ 77,333,630	\$ 923,765
Gas Transmission Northwest	\$ 64,706,071	\$ 879,614
PacifiCorp	\$ 50,724,314	\$ 693,357
Union Pacific Railroad FPL	\$ 48,099,660	\$ 657,480
FPL Energy Vansycle LLC	\$ 37,286,340	\$ 526,789
Railex LLC	\$ 30,272,400	\$ 442,517
I B P Inc.	\$ 24,466,960	\$ 357,534
J R Simplot Company	\$ 23,803,130	\$ 347,950
Qwest Corp	\$ 17,969,590	\$ 239,006

Source: Walla Walla County Assessor's office (October 2014)

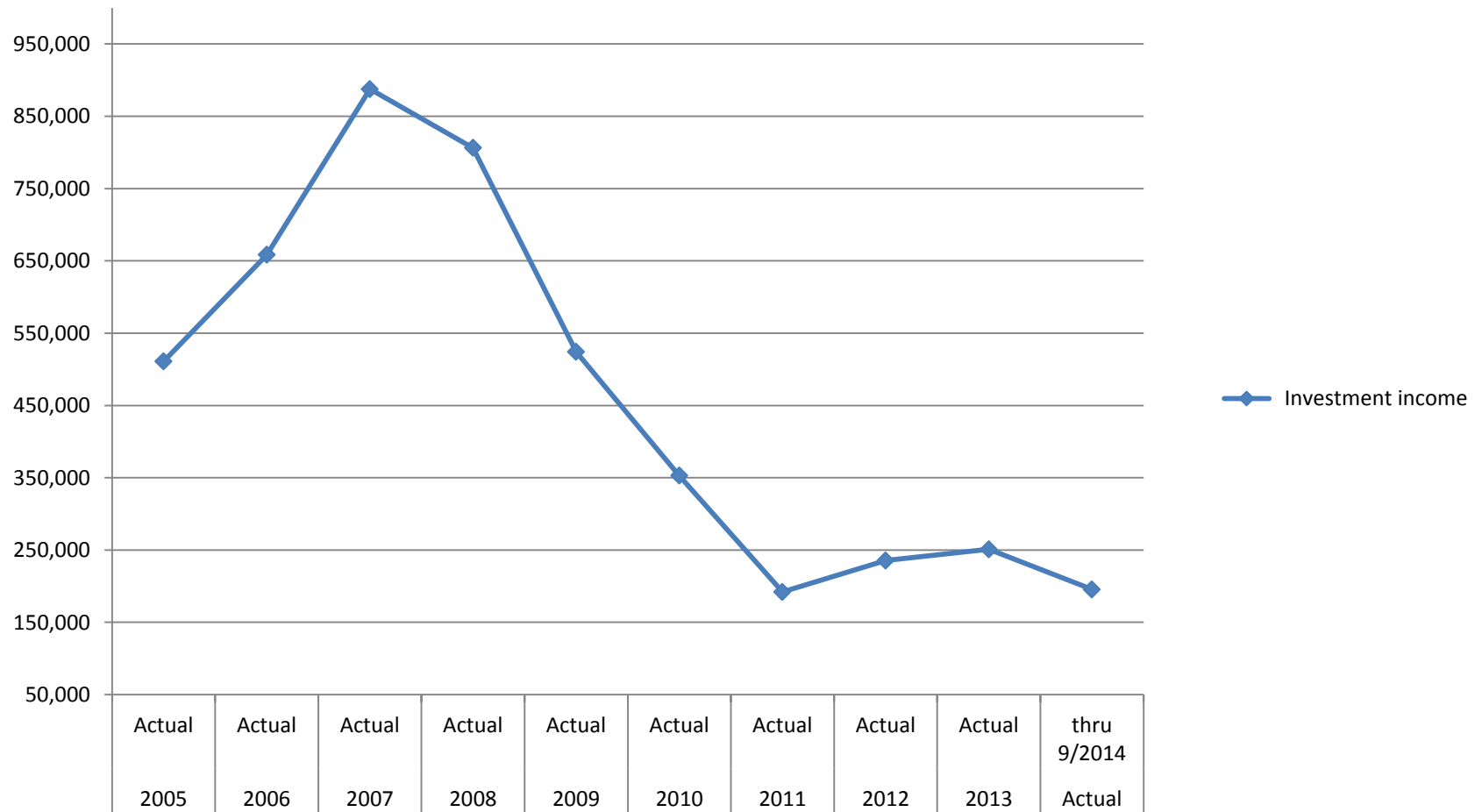
SALES TAX REVENUE

CURRENT EXPENSE Sales Tax



INVESTMENT INTEREST

CURRENT EXPENSE Investment income

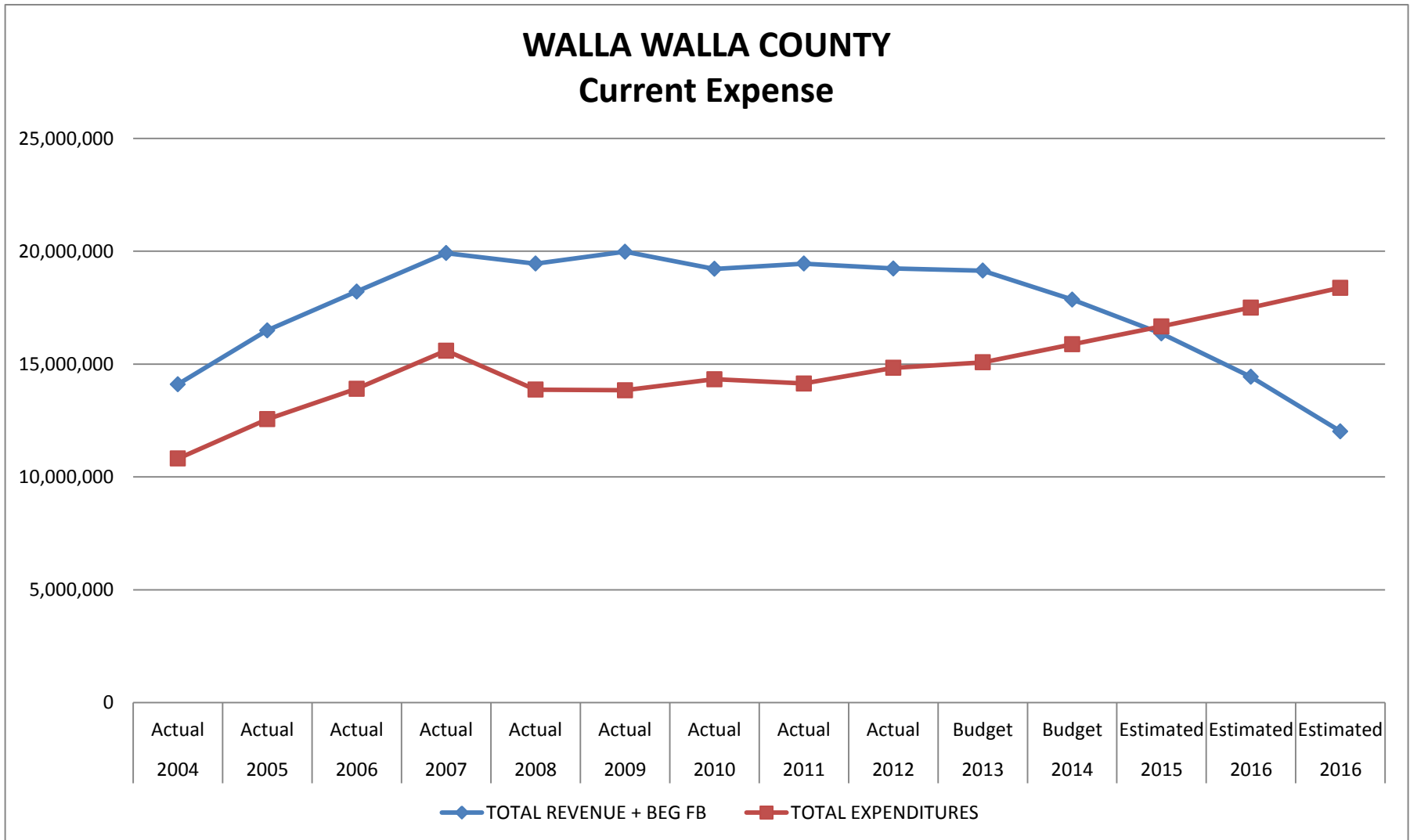


SOME COUNTY BUDGET/FINANCIAL NOTES:

- We should note that the budget we are talking about is the Current Expense (or general) fund portion of the overall county budget only, with some mention of the Law and Justice Fund budget as applicable.
- **Reserves:** In 2000, Resolution 00346 established a minimum Current Expense fund balance equal to three months' expenditures".....in the event of unforeseen circumstances that could adversely affect the budget and the county's operations"
- **Although there have been statements and criticisms by some about the amount of reserves maintained, the county commissioners have also consistently utilized reserve funds to help balance the budget, albeit conservatively.**

CURRENT EXPENSE BUDGET

Increasing Health Benefit Costs



SOME NOTES:

- **We feel we are once again, or really still, in a time of precarious financial times, and the future is uncertain.**
- Due to prudent fiscal planning and careful budget management, Walla Walla County has not, thus far, had to reduce employees compensated with Current Expense Fund dollars.
- Regarding taxes, this Board did not ask for an increase in property taxes for the Current Expense fund for years 2010 through 2014, as they recognize the plight of their fellow citizens. (As previously mentioned, the Current Expense fund is only a small percentage, 11.20% of the property taxes collected.)
- The high cost of fuel, which on a “trickle down” basis increases other county costs to provide services.

- Many of our buildings are older buildings, requiring careful maintenance and perhaps more frequent replacements of equipment.
- We are proud that we are able to maintain an excellent, steady workforce – however, that comes at a cost. In the 2015 preliminary budget, salaries make up 36% of the budget, and benefits 15%.
- There is still no clear information on the impacts the Patient Protection and Affordable Care Act (PPACA) and its mandates might have on the county's budget.
- As all citizens know, the cost of medical insurance premiums continues to increase at an alarming rate.

- Additionally, the county is mandated to pay for ALL medical (prescriptions, eye care, dental, insurance premiums, nursing home care, specialty personal choice services, programs, equipment, etc.) for those members of LEOFF 1 (Law Enforcement Officers and Fire Fighters Retirement Plan 1) that are not payable from another source.
- In 2015, the labor agreements for three of the county's four collective bargaining units (Current Expense, Commissioned Deputies, and Corrections unions) expire. Negotiations for years 2016-2018 will be underway by mid-2015. These outcomes, and impacts to the county budget, may or may not be known for some months. (The County Road unit's agreement expires in 2016.)

- The salaries of county elected officials set by the county commissioners were frozen for two years (2012-2013). The county commissioners' salaries are further frozen from 2012 through 2016.
- Various claims against the county that have been filed, as well as possible/potential lawsuits on the horizon. (Claims – this does *not* include law suits – filed total (2013 to date \$476,000,000) updated 6/11/15, with two injury claims submitted without an indication of monetary damages sought.)
- Possible courthouse security overhaul.
- Current Expense fund budget amendments (two approved, one scheduled) will further deplete the Current Expense fund reserves and have to be deducted from the fund balance shown.

- Due to Supreme Court mandates, the cost of indigent defense is increasing annually. (The county is required to provide defense attorney services to persons who are indigent.)
- Other continuing unfunded mandates.
- Other unknowns.

LAW AND JUSTICE FUND

History:

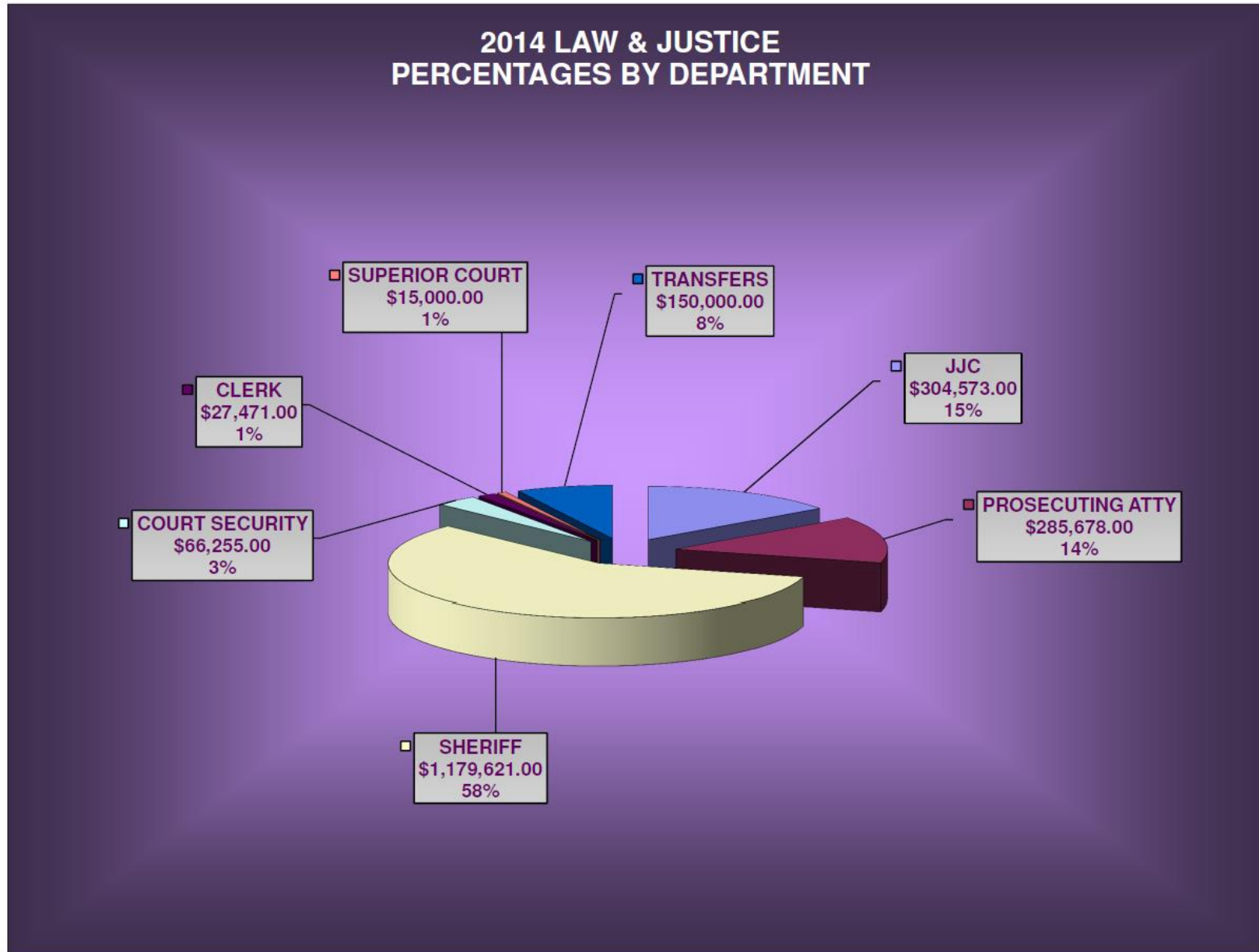
- With Initiative 695, the motor vehicle excise tax for criminal justice funding was eliminated (loss estimated at \$2.8 million for County, Cities, Fire Districts, etc.).
- In 2003, county commissioners placed Proposition on ballot to “authorize a three-tenths of one percent sales and use tax to be used for criminal justice purposes”... This Proposition was approved. (All tax proceeds go into a special fund, 10800-Law and Justice fund– and are not co-mingled with the Current Expense funds.)
- The other revenue source is from the state, and is volatile and unstable, as legislators can end it.
- Walla Walla County is at its legal limit for criminal justice taxes.
- In difficult financial times, many county employees in the law and justice field (from the Sheriff’s office, courthouse security, Juvenile Justice Center, Clerk’s office, etc.) and expenditures related to law and justice matters were gradually moved from the Current Expense fund to the Law and Justice fund budget.

- More and more expenditures are being budgeted by offices and departments to be paid from this fund, as the Current Expense funding and other revenue sources have slowly reduced or dried up.

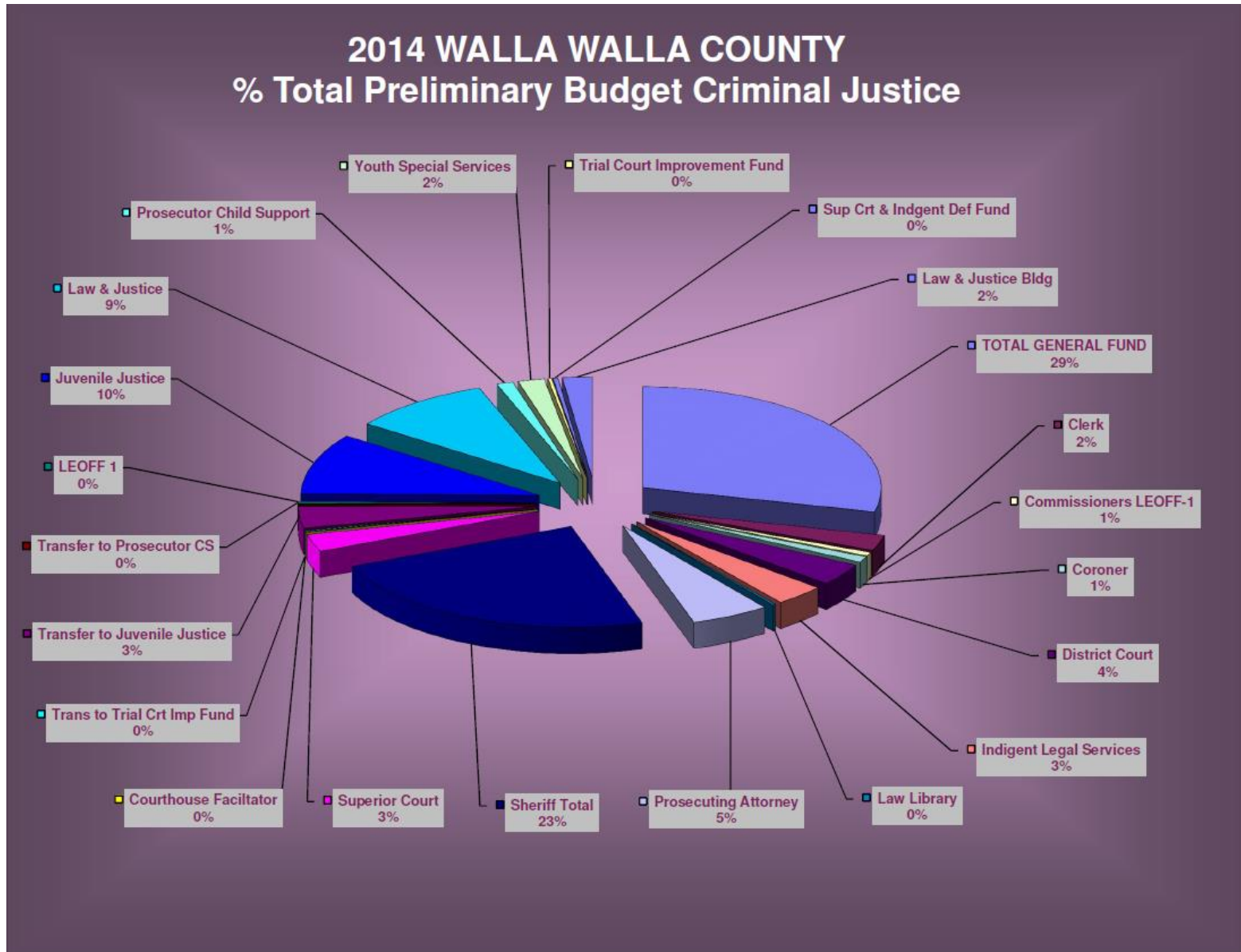
Now the Law and Justice fund is experiencing the same problems as the Current Expense funds – expenditure requests are far in excess of revenue, and the fund balance is being drawn down at an alarming rate. The Current Expense fund cannot absorb having the employee and other costs moved back.

The county auditor has projected that if current budget expenditures continue at the same rate, the Law and Justice fund could be in DEFICIT by \$226,160 at the end of 2015. We cannot and will not allow that.

2014 LAW AND JUSTICE FUND BUDGET – Percentages by office/department



72% of total County Budget is allocated to Criminal Justice



2013 CURRENT EXPENSE FUND

00050	BEGINNING FUND BALANCE	4,650,000	
00058	ENDING FUND BALANCE		3,852,240
DEPT #		REVENUE	EXPENDITURES
00100	AGRICULTURIST	10,700	186,473
00300	ALCOHOLIC TREATMENT		2,000
00400	ASSESSOR		904,272
00500	AUDITOR	111,275	304,092
00510	ELECTIONS	80,900	230,788
00520	VOTER REGISTRATION	74,288	109,792
00530	VEHICLE LICENSING	246,500	233,489
00600	BOARD OF EQUALIZATION		20,920
00800	CIVIL SERVICE COMMISSION		12,100
00900	CLERK	344,745	515,049
01000	COMMISSIONERS	200	393,886
01015	FAIR MANAGER		94,360
01020	PERSONNEL/RISK MANAGEMENT	61,744	174,858
01025	PUBLIC RECORDS		51,734
01030	COMMISSIONERS - LEOFF-1		135,510
01100	BURN CONTROL	110,120	110,120
01200	CORONER	18,000	162,613
01400	FACILITIES MAINTENANCE	3,500	598,312
01600	DISTRICT COURT	801,759	742,702
01700	HORTICULTURAL PEST/DISEASE BRD	3,000	7,025
03000	INDIGENT LEGAL SERVICES	57,172	732,877
03100	LAW LIBRARY	26,950	41,984
03200	MISCELLANEOUS	586,257	11,774,909
03300	PROSECUTING ATTORNEY	203,666	1,112,200
03400	SHERIFF	923,385	4,735,784
03700	SUPERIOR COURT	100,000	605,119
03710	COURT HOUSE FACILITATOR		8,989
03800	TREASURER	10,625,596	424,238
03900	TRANSFERS		1,330,593
	TOTAL CURRENT EXPENSE	14,389,757	19,039,757

2014 CURRENT EXPENSE FUND

DEPT #		REVENUE	EXPENDITURES
00050	BEGINNING FUND BALANCE	0	
00058	ENDING FUND BALANCE		0
00100	AGRICULTURIST	4,700	193,050
00300	ALCOHOLIC TREATMENT	0	2,500
00400	ASSESSOR	0	941,037
00500	AUDITOR	120,460	323,200
00510	ELECTIONS	105,200	268,192
00520	VOTER REGISTRATION	78,935	117,721
00530	VEHICLE LICENSING	242,000	248,346
00600	BOARD OF EQUALIZATION	0	23,082
00800	CIVIL SERVICE COMMISSION	60	13,733
00900	CLERK	336,765	548,559
01000	COMMISSIONERS	500	418,882
01010	CDBG GRANT	560,000	560,000
01015	FAIR MANAGER	0	100,482
01020	PERSONNEL/RISK MANAGEMENT	61,740	194,891
01025	PUBLIC RECORDS	0	0
01030	COMMISSIONERS - LEOFF-1	0	129,010
01100	BURN CONTROL	220,000	220,000
01200	CORONER	20,000	197,135
01400	FACILITIES MAINTENANCE	3,500	618,610
01600	DISTRICT COURT	788,400	780,492
01700	HORTICULTURAL PEST/DISEASE BRD	3,000	7,025
03000	INDIGENT LEGAL SERVICES	59,295	752,860
03100	LAW LIBRARY	21,650	42,149
03200	MISCELLANEOUS	327,348	1,100,255
03300	PROSECUTING ATTORNEY	202,146	1,170,175
03400	SHERIFF	800,754	5,158,889
03700	SUPERIOR COURT	47,200	618,617
03710	COURT HOUSE FACILITATOR	0	13,500
03800	TREASURER	11,047,036	440,068
03900	TRANSFERS	0	1,452,921
	TOTAL CURRENT EXPENSE	\$15,050,689	\$16,655,381
	DIFFERENCE	(\$1,604,692)	

(does not include beginning & ending balances)

NEXT STEPS....

You see now what we have faced every year and continue to face. Throughout the year the County Auditor and County Treasurer provide financial updates during the commissioners' open, public meetings.

As good fiscal agents, we as county commissioners must adopt and maintain a reasonable, balanced budget AND to retain some reserves for emergencies. However:

IF THE ECONOMY DOES NOT TURN AROUND, THERE IS NO QUESTION BUT THAT THE CURRENT COUNTY BUDGET SPENDING – FROM THE CURRENT EXPENSE FUND AND THE LAW AND JUSTICE FUND – IS NOT SUSTAINABLE IN THE FUTURE.

COUNTY REVENUE LOSSES DUE TO INITIATIVES OR FEDERAL/STATE LEGISLATION:

I-695 - Elimination of MVET		
1999 MVET	\$885,856	
2013 Criminal Justice	\$460,000	
Lost Revenue		-\$425,856

I-747 - Property Tax increase set at 1% max.		
Valuation	\$ Per m	Tax
\$4,951,808,150	\$1.800000	\$8,913,255
\$4,951,808,150	\$1.485584	\$7,356,327
Lost Revenue		-\$1,556,928

Interest Income:

Federal manipulation of interest rates		
2007 Income		\$887,000
2013 Estimated Income		\$170,000
Lost Revenue		-\$717,000

Substance Abuse Reduction Grant:		
	2013	2014
Clerk	\$10,000	\$0
Pros Attorney	\$43,000	\$0
Sheriff	\$46,075	\$0
	\$99,075	\$0
Lost Revenue		-\$99,075

<u>TOTAL LOST REVENUE</u>	-	<u>-\$2,798,859</u>
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Sustainability

As county commissioners with the fiscal responsibility of the county in our hands we cannot balance an operating budget on the backs of the county's reserve funds. We cannot borrow money and go in debt to provide needed county services. If we do not keep county spending at a level that ensures a sustainable budget, county employees will be laid off and county programs and services will be cut. As the county is self-insured for Unemployment costs, we would have to lay off additional employees just to pay for Unemployment benefit costs.

THE COUNTY AS A WHOLE

Although we have explained that there are several parts to the county budget, those “other funds” outside of the Current Expense fund budget, the funds such as the Law and Justice Fund, Community Health Fund, Technology Services Fund, Community Development Fund, and the County Road Fund still interact with the county as a whole. Walla Walla has recently received considerable national recognition as a great place to live and/or visit. The increased traffic on county roads and transportation infrastructure impacts the County Road Fund. We are very proud of our county road system, and receive compliments on it from other county commissioners as well as visitors to the county and local city residents.

IMPORTANCE OF FINANCIAL STABILITY AND SUSTAINABILITY

- These factors and others must be carefully considered by the county commissioners when deciding an appropriate amount of ending fund balance for the county.
- The key word is SUSTAINABILITY. We want and have to be able to utilize the Current Expense ending fund balance to cover the peaks and valleys of revenue collections as well as unexpected expenditures.
- The ending fund balance is not a sustainable source of revenue for the county, as it is generally designed to address the one-time expenditures.

- Once the reserves are drawn down to cover lost revenue or to pay for ongoing expenditures, they are gone. Plainly speaking, if the BOCC was irresponsible and made up preliminary budget shortfalls from the Current Expense reserves (fund balance), the county reserves would disappear.

WRAP UP

To paraphrase Senator Russell Long (long-time chairman of the U.S. Senate Finance Committee), everyone offers the same advice:

“Don’t cut you, don’t cut me, cut that fellow behind the tree.”

We hope this has given you an indication of the county budget process, and has helped you become more knowledgeable. That was our hope and goal as, truly, we are all in this together. As we continue the annual process and make decisions and determinations regarding each successive year’s budget, we look forward to your thoughtful input.

THE FACTS

One more bit in closing, from Abraham Lincoln.

“I am a firm believer in the people.

If given the truth, they can be depended upon to
meet any (national) crises.

The great point is to bring them the real facts.”

The real facts are so important. Thank you for
reviewing this information to get the real facts.

QUESTIONS?

TO CONTACT US:

WE WANT TO CONTINUE TO HEAR FROM YOU. CONSTRUCTIVE COMMENTS AND/OR POSSIBLE SOLUTIONS ARE SOUGHT, AND CAN BE SENT TO US VIA OUR MAIN EMAIL ADDRESS, WHICH IS

WWCOCOMMISSIONERS@CO.WALLA-WALLA.WA.US

or call our office at

509/524-2505.

Thank you.