

**RECORD OF THE PROCEEDINGS  
SKAGIT COUNTY BOARD OF COMMISSIONERS  
TUESDAY, NOVEMBER 23, 2010**

The Skagit County Board of Commissioners met in regular session on Tuesday, November 23, 2010, with Commissioners Sharon D. Dillon, Ron Wesen, and Kenneth A. Dahlstedt present.

I. CALL TO ORDER:

Chair Dillon called the proceedings to order at 9:30 a.m.

II. PLEDGE OF ALLEGIANCE:

Chair Dillon led the gallery in the Pledge of Allegiance.

III. AGENDA:

- a) 9:00 a.m. - 9:30 a.m. Discussion/Update: Port of Skagit County and Port of Anacortes - .09 Monies

The Port presentation was cancelled, due to bad weather conditions.

- b) 9:30 a.m. - 10:00 a.m. Presentation of 2011 Skagit County Preliminary Budget

Trisha Logue, Budget and Finance Director, reviewed the process of the 2011 budget to date. The Auditor's call for the budget comes in July. Departments create and submit a preliminary request to the Commissioners. Today's Preliminary Budget has been reviewed and modified as necessary by the Board of Commissioners, per RCW 36.40.050. There is a two week time period for review, followed by a public hearing, adoption, and the setting of levy rates. Today's presentation is specifically related to the General Fund; however we also have county budgets for non-general funds, Emergency Medical Services, and Central Valley Ambulance Authority. All budget documents are available for review on the County web site ([www.skagitcounty.net](http://www.skagitcounty.net)), and at the Commissioners' Office.

Ms. Logue continued with the current financial condition for Skagit County. The County started off the year 2010 with a \$6.6 million dollar fund balance. The current 2010 projection, as revised and submitted by departments, is to end the year with a balance over \$7.1 million. The Board has signed a Resolution to end with a minimum 12% fund balance. The 2011 Budget Requests and Shortfall total over \$7.2 million, so even if the Board decided to spend 100% of the reserves, they still could not have balanced the 2011 budget.

Commissioner Dahlstedt asked for clarification of why we need to keep \$6-7 million in reserves. Ms. Logue answered that the largest portion is for cash flow purposes. With a \$45 million budget, the largest revenue source is from property taxes, paid in April and October. \$20 million comes in twice a year. Outside that window, when revenues are mostly from grants and fees for services, cash is needed so we can meet payroll. The Board had approved a conservative budget for 2010, and to date we have not had negative cash balance.

Ms. Logue continued, the shortfall of \$7.2 million could not be included in the preliminary budget for 2011, so the Board had a job to do, making recommendations for changes.

The Sales Tax Revenue 2004 through 2011 presentation showed that sales tax was at a peak in 2007, with collections at nearly \$8.9 million. It has declined since that time, with 2011 collections projected at less than \$6 million, down over 33% from the 2007 peak. There is a continuing decline forecast.

Commissioner Dahlstedt noted that 2011 was even at a substantively lower level than 2004.

The presentation of Investment Interest and Fees collected by the Treasurer's Office from 2004 through 2011 showed a peak in 2007, when interest rates were much higher than at present, and we had some building fund balances, so they were a good revenue source at \$2.8 million. From that peak, they are now down over 82%. The projection for 2011 is \$.5 million.

Following that trend, for new construction revenue by Assessor's office, using the prior year's levy rate, 2007 was again the high point. Projections are \$240,000 for 2011, down by 74% from peak in 2007.

Commissioner Dahlstedt asked if this information was available to the public. Ms. Logue responded that both the presentation and budget information was available on-line.

Intergovernmental revenues include state and federal grants as well as local revenues. A portion of the local revenue is fee-for-service, such as provision of sheriff services in La Conner and Concrete. 2008, 2009 and 2010 were similar. Our peak was in 2009 for intergovernmental revenues. We are still down over 20% in 2011. The largest portions are state cuts that we know about. There are probably more state cuts to come, which has a trickle-down effect to the County.

All individual budgets have been submitted and reviewed. The Commissioners made changes to the preliminary budget that was submitted. The new revenue budget is \$44.4 million, and the expenses budget is \$45.5 million. The Board decided to use \$1.1 million from reserves to balance the budget. That brings the ending fund balance to just over \$6 million. That will continue to provide for our cash flow needs. That will cover 13% of expenses, which will be within our 12-15% window, which was set by resolution.

Some changes to the preliminary budget were not specific to any department. This is the third year that the Board has recommended a levy shift from the Road Fund, which will be \$1 million in 2011. There were Closure days in 2009 and 2010; these will continue in 2011 for a saving of just over \$1 million. There will be some job loss as well. We included a budget for separation in services, funding vacation, and sick cashouts, as well as unemployment expenses. The County is self-insured for unemployment; that needs to increase in order to insure a healthy fund balance. There has been an increase in unemployment benefits. Federal eligibility is currently for 99 weeks; in 2011 there may be an additional 20 weeks. We have nearly \$.5 million in reserve for separations from service.

The County has some pending murder cases. The reserve from last year was \$.5 million; that lowered to \$100,000, based on information from the Law and Justice Departments, including the Jail, Prosecuting Attorney, Public Defender and Assigned Counsel.

One thing not yet included in this budget is the anticipated state cuts. They will be

program-specific, and will be handled by budget amendments during 2011.

There were some specific departmental reductions. The Auditor had one vacant position, which has been eliminated, saving \$64,000. The Assessor had a \$7,500 decrease in supply and services cost. Commissioners travel has been reduced by \$6,500. Cooperative Extension had a decrease of \$20,000 in a contract with WSU to pay for some specific faculty expenses. Administrative Services eliminated a portion of a position, saving nearly \$11,000. The Public Defender had some position eliminations and outsourcing of services for a savings of nearly \$70,000. Youth and Family Services was reduced by \$179,000 as a result of state funding cuts. The Prosecuting Attorney has a reduction of \$115,000; a grant for staffing was not received for the first eight months of 2011. The Sheriff's Office had three vacant positions eliminated, for a total of \$266,000. The Treasurer's Office had a reduction of \$50,000. They will use O&M funds to backfill for a personal property deputy.

The General Fund also will make reductions in transfers to special revenue funds. Details include \$250,000 to Health; \$197,202 to Community Services; \$149,089 to Planning; \$95,000 to Elections; \$75,000 to Parks and Recreation; and \$27,109 to the Law Library. Total position reductions for next year include 8 FTE's from the General fund and 5 FTE's from non-general funds. Five of these thirteen positions are vacant.

The 2011 Budget is available at [www.skagitcounty.net](http://www.skagitcounty.net). The Powerpoint presentation will be available on the web site as well. The Board will hold a Public Hearing on December 7th at 9:00 a.m. for one hour, to take comments on the Budget; adoption is scheduled for December 14th at 9:00 a.m. The Levy Rate Public Hearing will follow on December 21st at 9:00 a.m., and adoption will follow on the December 28th Consent Agenda.

Commissioner Dahlstedt mentioned a couple of clarifications about the additional money in reserve from this year. One was regarding the substantive murder cases; the financial requirements were not as high as the County had anticipated. Also, money was set aside for outside counsel for litigation, but County lawsuits were diligently avoided, leaving funds in reserve. The Commissioners try to minimize or avoid litigation, but must defend the County when necessary.

Ms. Logue noted that there are probably a dozen items that are similar. For example, the County received a check from the Governor's discretionary extraordinary justice account for \$390,000, regarding the Zamora case in 2009. This was not a budgeted return. There was also a large timber sale revenue that brought in \$246,000 in September; only \$216,000 in revenue was budgeted.

Commissioner Dahlstedt offered a clarification involving the furlough (closure) days. If the County didn't take them, the alternative would be laying off twelve to fourteen employees.

Commissioner Wesen thanked Ms. Logue for her presentation, noting that development of the budget is a grueling task, and there are many places where we have no control. For example, sales tax revenues are down 8%; if the public spends more, there will be more in reserve. The County needs to be cautious about projected timber and state grant revenues, and to have options if things don't happen in our favor. About 70% of the budget covers employee costs; while we try to be sensitive with our employees, sometimes we must balance the budget.

Chair Dillon commented that she is a strong proponent of not using reserves, but sometimes they have to be reduced, although it is not acceptable to "go in the red". This

year elected officials and department heads have looked at their budgets carefully. The staff is advised of their financial status on a regular basis, and all budgets are examined closely. County employees give 120% to make sure the services are there, even though times are tight. The Commissioners hope that 2011 is better than anticipated, and can start building again. Lack of grant funding has a trickle-down effect, and it affects many different facets. The Commissioners look forward to public testimony on December 7th and adoption on the 14th.

County Administrator Tim Holloran thanked the Board and the Finance staff for developing a realistic budget, and for making difficult decisions. Our strength is in the work force, and their commitment to the public. Employees and collective bargaining units have also demonstrated their commitment to save money by agreeing to the closure days. Departments are to be commended for their fiscal restraint. Our challenge is to develop long-term strategies that result in a sustainable budget.

Commissioner Dahlstedt also thanked the staff and employees. Maintaining high levels of service is difficult, with personal sacrifice. Those that are laid off from their jobs are suffering; if Federal unemployment is not extended, there may be thousands across the country with no income. This in turn affects sales tax revenue. The County recognizes that the current Jail is not big enough for our needs, and something should be done. However, the effects of the economy on government are similar to the effects on home budgets. Eventually, loss of revenues will impact the level of service. 2010 County revenues have dropped below the 2004 levels in many cases, resulting in huge cuts.

Chair Dillon recessed the proceedings at 9:59 a.m.

c) 11:30 a.m. - 11:45 a.m. Public Comment Period

Chair Dillon reconvened the proceedings at 11:30 a.m.

With no public comment forthcoming, the Commissioners went on to other issues.

Chair Dillon noted that a building addition was planned for the Food Distribution Center in Sedro-Woolley, to help them accommodate more food items. The Food Bank will be relocated temporarily, as they cannot use the building during the six-month construction process. They may consider relocating to the former Forest/Park Service building on Highway 20 in Sedro-Woolley. Commissioner Wesen added that the grant funds for the project needed to be spent by next June.

Commissioner Wesen commented on the Clean Samish Initiative, a public program involving a volunteer group of thirty to forty individuals. Public Works is taking water samples, and noting areas of the Samish Basin where pollution problems have been identified. Closures in Puget Sound have created a hardship for local shellfish grower harvests. Potential contamination may be caused by livestock, septic systems, pets, or hunters and fishermen on the dikes. Everyone needs to do their part in reducing contamination, and be responsible stewards. The Health Department is sending out reminders about septic systems that need to be checked. Commissioner Dahlstedt stated that if septic system repairs are needed, there are loans and grants available to help those in financial distress. Contact the Health Department for assistance.

Commissioner Dahlstedt described a recent conference he attended for Rural Counties that noted concerns about Federal funds being more likely to route to urban areas. They

support help for small businesses and farmers with an investment credit program. PILT funds also need to be checked to be sure we get our fair share returned to the County.

VOUCHERS & WARRANTS:

Vouchers audited and certified by the auditing officer as required by R.C.W. 42.24.080, and those expense reimbursement claims certified as required by R. C. W. 42.24.090, have been recorded on a listing, which has been made available to the Board. As of this date, the Board by majority vote, did approve for payment those vouchers included in the above-mentioned list and further described as follows:

a) Payroll Warrants numbered 990368 through 990611 in the total dollar amount of \$278,509.98 (Transmittal No. P-44-10); and

b) Warrants numbered 330899 through 331396 from Clearing Fund 696 in the total dollar amount of \$1,216,831.52 (Transmittal No. C-126-10).

Chair Dillon adjourned the proceedings at 11:41 a.m.

Cancelled presentation due to bad weather.

IV. ADJOURNMENT:

Adjourned at 11:40 a.m.

**BOARD OF COMMISSIONERS  
SKAGIT COUNTY, WASHINGTON**

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Sharon D. Dillon, Chair

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Ron Wesen, Commissioner

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Kenneth A. Dahlstedt, Commissioner

ATTEST:

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Linda Hammons, Clerk of the Board  
Skagit County Board of Commissioners