

## 2010 Budget Message

TO: County Council  
FROM: Pete Rose, County Administrator  
DATE: September 21, 2009

SUBJECT: 2010 Annual Budget Message: *“Survivor 2010”*

### INTRODUCTION

The prologue of the 2009 budget message spoke of a time of adversity. The theme of the message was *Washington’s Shrinking Counties*. The County Council has taken the message seriously and has undertaken three efforts to “shrink” county government in the past 11 months. The 2010 budget message comes from the eye of the storm – a time when economists tell us things are getting better and our revenues tell us things are still bad. The most recent quarterly state budget forecast mirrors this dichotomy by the statement of the chief budget forecaster. He was cautiously optimistic that the state’s economy has reached its lowest point and will soon be on the mend, while at the same time revising the biennial revenue forecast downward by \$238 million (for the period ending June of 2011).

San Juan County started the year by creating a new budget committee and it embarked on a strategic look at budgeting. With our own downward forecast, it is finishing the year with a real life look at fiscal survival.

As you review this document, you will see that survival is not an overstatement. The main effort in the proposed budget has been to try to hold as much of the organization together as is reasonably possible. In doing so, all margin for error is gone, and the 2010 budget year will be perilous. There is no money to overcome the normal situations that crop up during a budget year. There is no flex in the general fund personnel funding to adapt to difficulty. There is no extra reserve for short revenue projections. There is no fund to tap to recover from the next leaking pipe in the basement. Necessary capital progress will be made by borrowing. The impact of anything unanticipated will be magnified. We are not prepared for the foreseeable, such as unemployment costs, leave payoffs or printing codes.

As you review the state of the county, you will also find that simply cutting the budget does not automatically make us more efficient. We have cut the budget, and those with our hands on the controls will have to work diligently with the remaining staff to both navigate the perils and to figure out how to become more efficient. If we cannot, we are facing further service reductions.

## THE SITUATION:

The situation remains very similar to the phase 2 reductions of August and the baseline budget reviewed by the Council August 11 in making its decision to seek a property tax lid lift. The Council has cautiously ratcheted back the organization in order to meet reduced revenues. The proposed budget is basically “tweaks” of the baseline budget as changes were made after specific payroll and other estimated costs were figured into the budget. A simple chart of approved and proposed general fund expenditures will describe where this recession journey has taken us as compared to prior years:

<u>Year</u>	<u>Approved Current Expense (CEx) Budget</u>	<u>CEx FTE*</u>
2007	\$ 13,048,290	156.17
2008	14,184,109	167.94
2009	13,996,248	149.19
2009 (Mid-Year)	13,262,080	144.20
2010 (No Lift: Proposed)	12,578,215	140.46
2010 (With Lift: Proposed)	13,571,220	147.89

\* Total FTE by Fund are shown on page \_\_\_ of the budget book

## APPROACH

The balancing of the recommended budget adopts a similar approach to the final balancing of the 2009 budget. There was ramping down of the organization, but this was not across-the-board. The county stands in the shoes of the state on many core and mandated services. It must also hold together the nucleus of the organization to simply get its Law & Justice and General Government services done.

The priorities I have used over the years to make budget choices are:

- Public Safety
- Core & mandated services
- Continuing on the path to GMA compliance
- Public health
- Environment
- Quality of life

The levels recommended in the budget are shaded toward the higher priorities being protected more than the lower, although as we have gone through these reductions, every department and segment of the budget have been asked to give something toward the cause, even if it was just maintenance and operations. The effect of this is that the Law & Justice segment as a percentage of the

budget is again increasing, as is General Government, while Community Services as a budget grouping is decreasing. Said another way, when money has been more plentiful, the tendency of the County Council has been to invest in community services and hold other segments closer to *status quo*. The chart below illustrates this:

<u>Year</u>	<u>L&amp;J%</u>	<u>Gen Gov't %</u>	<u>Comm Svcs %</u>
2007	42.3	33.6	24.1
2008	40.7	33.2	26.2
2009	45.5	33.7	20.8
2010 No Lift	46.7	37.0	16.3
2010 With Lift	43.7	36.8	19.5

An overarching priority over this is sustaining core and mandated levels of services. It appears that we could be in a period of 3-5 years of reduced revenues as the financial and housing markets shake out and are re-established. Even with the lid lift, the budget is more sustainable because it carries fewer general fund FTE than before 2007. However, I have questions about the sustainability of core services based on the reductions taken in the departments of Clerk, Treasurer and Assessor. The service metrics will need to be watched as time passes

*What needs to be done to survive?*

Budgetary discipline. In military terms, the preliminary budget tries to “hold the line”. We must all be tough budget managers. The budget will be precarious in the coming years, with little room to deal with “surprises”. The final cuts to balance remove much of the flexibility in this budget to handle surprises.

We have made it to this point with selective, prioritized cuts, with voluntary furloughs and a bit of reorganization. Local 1849 and unrepresented staff have been very generous in taking furlough days to help us get through the remainder of the year without further cuts. The Sheriff Guild is in negotiations with regard to 2010, and I have high hopes that it will bear helpful fruit. The point is that if the contracts are felt by labor to be fair; if we communicate the situation well; and if we ask for help that will be of benefit in the short term and that will not be harmful in the long term, labor will pitch in. Keep in mind that the “no lift” budget includes 7 furlough days. Based on a recent court decision published only two weeks ago, and based on law and good practice, these must be negotiated and agreed by labor.

In the forecasting for future budget years, the Auditor and I have planned for 2010 to continue to be lean, with the beginning of slow recovery resulting in no

more than a 2% revenue increase from the by year's end. Of course, that 2% is being built from a 2010 revenue estimate that is \$1.4 million lower in your general fund started for the 2009 budget year.

As a result, the 2010 balanced budget proposed herein is a budget that almost completely holds the staffing and service levels where they are after 2009 mid-year reductions.

A discussion of the situation would not be complete without touching on I-1033. If approved, an improving economy will not allow the county to grow out of the low revenues beyond inflation plus population growth. Raising county services from the low point and lower services that will have accrued in the past two budget cycles will be in the hands of our voters. From the Association of Cities description:

*If I-1033 passes in November, it would limit the growth of state revenues deposited in funds subject to the state expenditure limit and limit growth in county and city revenues deposited into the county and city current expense funds. The limit would be adjusted based on annual growth in inflation and population and not include new voter-approved revenue increases. Revenue collected above the cap would be used to reduce property taxes.*

*The limit established by I-1033 would apply to city general fund revenues in 2010, with the limit set at 2009 revenues adjusted for inflation and population growth. Although the initiative states that new voter-approved revenues would be exempt for 2010, it also states that new voter-approved revenue is defined as the increase in revenue approved by the city's voters after the effective date of this act. Since the November election is the last of 2009, any voter-approved tax increases passed in 2009 would likely be subject to this initiative and not excluded from the revenue limitations.*

## **WEAK REVENUE PRODUCTION: CONTINUES TO BE THE DRIVER**

The driver of budget difficulty is revenue. At the time of last year's budget review, the concerns were focused on property tax, sales tax and interest earnings in Current Expense, as well as the real estate transfer tax significantly hampering public efforts in the Land Bank and Capital Funds. All of those items remain weak. Indeed, structural changes in state banking rules and anti-inflation moves by the Federal Reserve will dampen interest earnings for years to come.

As the economic downturn became malaise, it became clear that the revenue difficulties were more broad based. Transaction-based revenues, especially court and permitting revenues contributed to the mid-year need to drop nearly \$1 million in expenditures to match the forecasted loss in revenue. As leaders, we

not only need to help our county survive the present, but also think of the future. We have by planning for the next rainy day while being drenched today.

*“For years I thought what was good for our country was good for General Motors, and vice versa.”* Charles Erwin Wilson

For the time being, General Motors is primarily owned by the government; and what has been bad for the economy has been bad for the government. Things are that upside down -- causing the need to work toward better times and still prepare worse times in the future.

The adjustments of the past year have come completely out of service level and staffing. There has been no other place to look. I have observed the *ICMA Daily News Briefing* for the past year. From reviewing the briefs, it can be said that there are two kinds of jurisdictions – those who are doing many of the reduction strategies of San Juan County (and more), and those who are doing lesser cuts and using reserves to fill the gap.

San Juan County has put itself on the path to responsible budgeting with the recently passed budget stabilization ordinance. It requires the proposed budget to include a 10% ending fund balance as unallocated operating cash. In recent years, we have come to count on revenues outperforming expenditures by a few percent, and expenditures coming in a few percent below budget. This has provided an annual nest egg for balancing the next budget. It has also disguised the role of operating cash in keeping Current Expense finances stable during the ebb and flow of an annual budget cycle.

This year, normal expenditures have easily outstripped revenues. Council has approved mid-year cuts of nearly a million dollars, and yet monthly indications are that revenues continue to fade beyond reassessed projections.

Unallocated Ending Fund Balance provides the necessary operating cash for the general fund to pay its bills. The general fund has up and down cycles during the year depending on the receipt of revenues and the payout of operating costs (or transfers). This year has shown the vulnerability of the operating cash level, with the general fund finishing the month of September in the negative, something that has not happened in years.

The requirements of 10% operating cash and \$25,000 transfer to the capital fund are met in the proposed budget. The allocation requirements in the ordinance due to growth in revenues are not in effect during this period of revenue reductions.

The Council has put a levy lift on the ballot, but that is the last resort at the end of the reduction effort described above. The services at risk in this lid lift are popular community services that represent discretionary spending. In case any

were wondering whether other counties are considering the same types of cuts, read the following August quote from the King County Executive.

*“... the proposed cuts announced today eliminate virtually all remaining discretionary services. They also prioritize direct services to the residents of King County and mandatory responsibilities over general government functions and internal service needs, except for those necessary for the running of the government or to comply with legal requirements and mandates.”*

## WEAKNESSES IN BUDGET

This budget is unquestionably a budget of risks. No matter what the final approach to balancing this budget, it amounts to shifting around the risks. With the severe revenue difficulties, the risks cannot be eliminated. Even with the passage of the lid lift, nothing comes back to its 2008 spending level. The majority of the county departments receive no benefit from the lid lift and remain at their lower levels. This is not a foundation for giving “knock your socks off” service or making valuable targeted improvements to make our citizens proud. Good service and improvement will almost solely rely on the talent, skills and will of those who remain in service, as well as the collective will to do things differently and better. We must strive to do so.

The constant months of discussing budgetary weakness have afforded little time to discuss organizational weaknesses and needed improvements, save discussing the future. Even while at this low financial ebb, we have to think of the goals that will build a strong foundation for San Juan County. To that discussion, I offer the following:

### *The Budget:*

- Operating Budget: Finish sustainable budget study, changing those things in our control and seeking legislative help to change those things in control of the state;
- Capital Budget: Resolve capital funding issue to allow us to take care of the buildings and facilities we have, and to make the courthouse safer for law & justice functions;
- Road Fund: Take steps to make the Road Fund sustainable at the selected level of service.

### *The Present:*

- Solid Waste:
  - Meet compliance requirements
  - Resolve long term financing
  - Build replacement San Juan facility
- Stormwater:

- Changes in the water and land use comp plan elements will make it possible to write new code for simpler rural storm rules;
- Newly seated storm committee will provide forum to advise Council on stormwater financing and needed storm improvements;
- Technology: Examine the role of technology to reduce the costs of government or at least the rate of cost increase;
- Reorganization: Continue the review of organizational structure to determine the most efficient and effective organizational footprint, while seeking: Good government; Good processes; Good Systems; Good results.

*The Future:*

- Affordable Housing: Embrace the pending affordable housing needs study and determine whether a joint housing authority will guide county efforts in the future;
- Long Range Planning:
  - Critical Areas Ordinance Update: Council must come quickly and carefully together on goals, approach and outcome to heal community schism;
  - Use Shoreline Master Program Update not only to make resource protection updates, but also as vehicle to rewrite associated parts of the development code;
  - Planning Carrying Capacity of Islands: Examine role of GIS and new *Smart Growth* publication to help this effort.

## INDIVIDUAL DEPARTMENT COMMENTS

### General Government Departments

The **County Administration** department, including Information Services (IS) performs a number of core services delivered countywide. This budget continues the general administration, information systems, risk management, human resources, contracting, several grant application programs, public records coordination, public defender, Board of Equalization oversight, benefit program placement and other services provided to all departments. The 2009 reduction of 1.25 FTE is retained and no other reduction is recommended. Administrative staff is thoroughly saturated with demand, and is woefully understaffed to keep up with good administration, HR, risk management and safety. We have necessarily squeezed Information Systems funding at a time when it is more important to the lifeblood of the county organization than any time in its history. This budget retains the webmaster portion of the Communications Coordinator position and ramps down much of the media work. One-fourth FTE is dedicated to Public Works to continue support of outreach on its projects. The web-site is a valuable tool for communicating County information and is considered a core service. The increasing reliance of departments to use the programming skills of

the Webmaster to improve departmental functions and public access to key information is a major success story for San Juan County, and the results are excellent. The computer fleet is being allowed to age beyond reasonable life expectancy and failures will occur without new investment in the future. Applications Support staffing was ramped down for 2009 and remains so, but it is proving to be a painful choice given the organization's need for putting the productivity promises of selected and purchased programs into full and productive use.

**Assessor:** This department is a good example of how we have had to go backwards. We worked hard to add staffing to the Assessor in 2008, and budget exigencies have made us work just as hard to reduce it in 2009 and 2010. The major software conversion in 2009 has gone "live", but remains significantly short of its long term promise. Much productive time has been lost to reduced staffing and problems with conversion. Survival has partly been the result of a dedicated staff and partly the creativity of the Department of Revenue in suggesting and approving a temporary lengthening of the appraisal cycle. We are also searching for the lessons of managing this function during such a time of economic upheaval, which resulted in a record number of appeals.

**Auditor and Elections:** The Auditor is converting junior taxing district discretionary services to paid contracts for 2010, and the new revenue will cover the cost of the deputy auditor providing those services. The efficiency move to pick up bill processing for several departments that lost clerical staff in 2009 has been effective and a couple more have been added. In addition, the centralized office supply purchasing system set up for all departments except Public Works, has reduced supply costs more than projected and has allowing those departments to be more productive. Though not without "bugs", we are looking for more ways to broaden and improve this service in 2010. The Elections office is reducing some of its reliance on paid elections workers, mainly in order to cut costs. It is a general election year and costs have been accordingly increased.

**Buildings & Grounds:** The Facilities division continues to be underfunded, but is not able to be increased in this budget. Positions in the amount of 1.7 FTE were withdrawn from the 2009 budget and are not restored. As a result we are not able to do a good job of taking care of the facilities we have. A vacancy that was held open during the mid-2009 cuts must be filled for 2010 in order to keep up with all that must be done to band-aid us along to better days. The lid lift will allow some improvement to maintenance and utility costs, but it is not enough. We are at serious risk of HVAC and roof failure in some buildings, with no contingency to pay for a major repair. Utilities costs and deterioration to the "wear" surfaces of the buildings are the major risks in this budget. This is a major risk area for 2010.

**County Council** is proposed to be reduced by 0.75 FTE. This will be a challenge that requires a change in minute taking, gaining efficacy from the AV Capture-All software and the Helion imaging software, plus not taking minutes for the committees traditionally supported by the Council staff. This is a tall order given that a new Clerk of the Council has recently been hired. We must all pull together to make this work. The mid-2009 reductions are kept in place. The professional services budget is largely earmarked for the AV Capture-All contract and Friday Harbor mid-summer traffic control. The capital outlay for video-conferencing end-points is not proposed to be funded, although the Web-Ex “rent-a-service” demonstrated earlier in the year is still a viable low cost option should the Council choose it.

**General Administration:** This is a non-departmental fund that is a clearinghouse for several general fund functions. The first look at this budget shows a major increase, but that is actually moving Information Services to a single line item to remove long-standing confusion as to its role in individual general fund departments. The preliminary budget also has this as the repository for the 7 closure (furlough) days in the no lift option. If the lift vote fails, this will be distributed to the individual department line items. Also, please keep in mind that a King County court decision two weeks past has enforced the need for labor negotiation for this, and we are working on that.

This budget also contains some of the more difficult and hard to justify decisions in this budget, some of which may require the holding open of essential positions to cover costs of separation. They are not advisable, just necessary to avoid further layoffs. Key ones are:

- General Fund Emergencies: Reduced by \$40K to \$10,000
- Separation Leave Contingency: Reduced by \$10K to \$0
- Unemployment Reserve: Reduced to \$0
- Code Publishing: Dropped for 2010; reduced to \$0

**Operating Transfers** are general fund support to special revenue funds: Parks, Fair, Emergency Management and Veterans Relief. The base budget eliminates support for all but Veterans’ Relief, which is mandated by law. Parks again takes major reductions, including closing (or not maintaining) some properties. Efforts will focus on keeping the camping parks open, as well as those facilities which produce income. The lid lift would add \$255,000 back to these services, including \$200,000 to Parks.

**Treasurer:** One-half FTE was reduced prior to 2009, and another one-half in the mid-2009 reductions. That reduction is proposed to continue. The new software transition is as slow and difficult as the Assessor’s conversion. The productivity and metrics of the Treasurer staff need to be monitored for signs of distress.

## Law & Justice Departments

**Clerk of the Superior Court:** The 2009 reduction in the Archivist position to 0.4 FTE remains. The mid-2009 reduction of 0.75 FTE Law and Justice Assistant is not included in the proposed budget. The Clerk has asked in 2010 departmental presentations that it be restored. The ability of the remaining 4.4 FTE to keep up with the workload is an area that must be watched carefully during the year.

**District Court:** This program continues at approximately the same level of service, keeping the minor M&O reductions from the mid-year revisions in the base budget. Its workload is primarily programmed by the “work” of others, which is growing. A proposed trade-out of the Jury Manager to Superior Court in exchange for ½ new FTE is in play in the proposed budget. A 0.25 FTE reduction to meet final cuts in the lid lift is being reviewed by Council based on October 7 discussion noted below.

**Juvenile Court:** No further reduction in juvenile probation is proposed beyond the M&O reductions given for mid-2009 reductions and to fund the Superior Court administrative staff member. The Council on October 7 asked how a personnel cut could come from Juvenile and Superior Courts to fund approximately \$13,800.

**Superior Court:** This budget proposal funds an administrative staff position for the Court, which is a change from the baseline budget.

**Prosecutor, Law Library, and Victim’s Services:** Prosecutor main staff was reduced by 0.5 FTE land use lawyer in the mid-2009 reductions, and that level of service remains in the base budget. It would be restored with the lid lift. This attorney is integral to improvement of long range planning and the upcoming shoreline master program update. The loss of the land use attorney is already having negative effects. Program request for \$28,000 to help move Prosecutor offices is being held in the Criminal Justice Receiving Fund until priority is determined. Grant support of Victim’s Services increased, and Victim Service staff FTE shown at current working levels.

**Sheriff, Communications, Jail:** Patrol services are left intact. Investigative deputy position reduced in 2009, along with ½ dispatcher, and ½ corrections officer remains out of the budget. Some impacts will be felt in work crew and court security programs. The corrections position is restored in the lid lift.

**Emergency Management:** The Sheriff believes strongly in keeping a decent level of service in this program. This department is integrally involved in the H1N1 flu response. Base budget will reduce staffing to 1.0 FTE from 1.75 FTE, and lid lift will restore it. 1.0 FTE is currently covered by grant.

### Community Services Departments

**Community Development & Planning:** This budget remains stripped of virtually all costs not having to do with permitting, code enforcement and long-range planning. The staffing remains approximately 5 staff lower, as the reductions of March, May and July have been kept. The grants portion of CDPD (3.03 FTE) will be buttressed when the contract for the Shoreline Master Program update is finalized and the staff support is funded. Positions in permitting are elastic as to demand for building services. Permitting is on an upswing, but staffing has been held lower to judge whether this is a lasting trend. Also, the mid-year reductions take awhile to have an effect on the bottom line due to county severance policies.

The marine environmental planning positions are shown as grant-funded positions. They are able to be supported on current grant sources through 2010.

**WSU Extension:** This program experienced a 30% drop in 4-H enrollment with the 2009 reduction in one part time contracted 4-H coordinator position. The base budget has a reduction of \$145,000, or 68%. It basically reduces the staff and programs down to the county agent and a part time support staff. The lid lift restores \$130,000. Even with lid lift approval, the reductions in this budget would be approximately 8% in each of the past two years.

**Noxious Weeds:** An increase to this budget was approved at the beginning of the year. The budget is held at the current level of service.

**Health & Community Services:** From the 2008 budget to the adjusted 2009, this budget has lost 25% of its service value. The base budget takes this down nearly another 25%. The lid lift will raise the level above the adjusted 2009 budget. The magnitude of these differences shows what this department has at stake in the lid lift.

#### **WITHOUT support from County tax dollars:**

Loss of 2/3's of Senior Services funding in 2010 will require layoff of a minimum of three remaining staff. All grant funds are tied to the provision of Information and Assistance activities and Caregiver Resources. It is anticipated that two "roving" Case Managers will manage phone

information and be available to travel when an elder or family needs more intense coordination of multiple areas of need. There will likely not be staff present at meals to answer questions or field service requests. Monthly newsletters on three islands will be reduced to one quarterly from one location. Transportation, which requires the most use of County dollars, will be discontinued as it will be impossible to certify drivers.

Senior Centers on three islands which are owned by the Senior Services Council non-profit organization will be totally staffed and managed by volunteers at whatever level they are able to maintain.

**WITH support from County tax dollars:**

For the past almost 30 years, San Juan County tax dollars have supplemented grant funds in providing services to the County's higher than average senior population. As state and federal grant dollars have remained basically static County dollars have slowly increased to cover COLA and step increases for wages and benefits. Each of the three major islands is covered by a Senior Services Coordinator and San Juan Island also has a Departmental Assistant who provides office and clerical support. Lopez and Orcas Islands started the year with part-time Departmental Assistants but budget limitations required the lay-off of these two staff. In 2009 grants accounted for 36% of Senior Services funding while County dollars made up 64%.

The American Communities Survey in November of 2006 estimated the over 60 population of San Juan County to be 3,629. In 2008 we recorded 8,816 requests for information from, or about, those individuals. We logged 4,683 acts of assistance for 1,506 different individuals. We are on-track to deliver at least that level of service for 2009.

With County tax dollar support in 2010, Senior Specialized Transportation will continue to carry elders who no longer drive because of ability or economics to essential services of senior meals, shopping, legal or financial necessities and medical appointments both on and off island. Staff will continue to certify drivers and safe and capable by checking backgrounds with the WA State Patrol for any convictions of abuse or neglect against persons and moving violations. Volunteer drivers will be trained in CPR, first air, defensive driving, and passenger assistance and evaluated in on-the-road travel.

In 2008 Senior Services transported 409 individuals on three islands – of those 272 were 75 years of age and over and with incomes below 40% of the state median income of \$1262 per month. With incomes that low they still contributed \$9,990 toward their travel expenses.

In 2009, in an attempt to curb spending, Senior Services has endeavored to become a transportation provider “of last resort”. Elders seeking transportation have been asked to exhaust possibilities of family, friends and neighbors before asking for service. Because of this change, transportation statistics have declined but to maintain a pool of ready and available drivers Coordinators still certify volunteers as they are identified.

Coordinators attempt to be available at each Senior Lunch to be readily available for questions and needs. This will continue to be the case in 2010 with County support. Orcas and Lopez may continue to have only one person available so there will be no back-up if the Coordinator must be away. In 2008, Coordinators arranged for 3,045 Home Delivered Meals to be taken to home-bound seniors, in 2009 that number is on-pace to be closer to 3,400. Frequently those meals were delivered by Senior Transportation.

**Fair and Parks:** I am proposing that the Parks and Fair departments be combined into a single functional department. I am not proposing that the two advisory boards be changed or merged. The reasons to do this are to take advantage of the special skills of the two managers to:

- Strengthen the planning process;
- Improve event planning, promotion and management;
- Enhance the grounds upkeep;
- Develop the proposed fairgrounds camping and promote group camping that can use both parks and fair facilities;
- Create a broader footprint of staff and budget that is larger, more efficient and more flexible than the two current smaller departments.

To do this would be to reduce the number of administrative departments, which in itself requires the approval of Council. It must also be understood that the combined budgets can be balanced, but if left separate, there will be a substantial deficit in Parks.

**Fair:** This program has been substantially reduced out of Current Expense, but should be fully operational. The Fair is in the lid lift for \$5,000 to help it take care of the aging grounds and to help promote community use of the facilities.

**Parks:** The Parks Department is proposed to be substantially altered in the base budget. There are a variety of impacts to the current, limited level of service.

***Levy Failure – The overall sustainability/viability of the park system is at stake in the near future.***

- Not enough funding available to operate Eastsound Village Green grounds/stage and Shaw County Park. Eastsound restroom will be funded by a grant from lodging taxes.
  - Maintaining and managing the green for Orcas Farmer's Market, Bite of Orcas, Library Fair, Historical Days, Summer Solstice Festival, Summer Sunday Concert series, etc. will depend on either the community donating the park's shortfall or developing an organization to contract management with the county.
  - Shaw Park will either be mothballed and closed to legal access or the community will need to provide funding and volunteer support for limited day use access. According to the Shaw General Store owners, loss of the camping program will have a significant impact on the store's economic viability.
- Day Parks on Lopez and San Juan will rely on volunteer maintenance and community fundraising for supplies (garbage/doggie bags,).
  - Volunteers must provide equipment at their expense.
  - There will be no support for rule enforcement, like dogs off leash, illegal uses, etc.
  - This formula results in inconsistent/unpredictable level of maintenance and increased liability for the county.
- All camping parks will be at a reduced level of maintenance and repairs, there will be no funding to replace worn tables, barbecues, fire-rings, etc.
  - Facility long term viability is at risk as they age and advance to disrepair.
- The capital program to improve Odlin, San Juan Park, and Shaw will be stalled due to lack of staffing.
- Parks administration open office hours will be further reduced and furloughs of staff may be necessary.

***Levy Passage – Basic Park System Sustainability***

The levy support will provide enough funding to:

- Operate and maintain all the 17 park system at a good basic level including:
  - Regular grounds keeping repairs and maintenance to facilities;
  - Replace worn fixtures, manage risk trees and other problem areas;
  - Improve rule enforcement and visitor education.
- Reinstate and improve programs such as:
  - Support and expand the volunteer program, develop partnerships to enhance services & programs, and work toward increased grant funding;
  - Re-instate the Resident Only reservation program and Private Special Event Program;
  - Provide more regular office hours and improve customer service.

**Land Bank:** Significant reduction in the REET will limit the purchasing power of this important preservation program. The Commission and Director are

cognizant of watching the rate of revenue, which is projected to be about 60% of pre-recession “normal”. The Land Bank budget keeps one year’s operating costs in reserve, which is a necessary insurance policy due to Turtleback debt service.

### Remaining Special Revenue Funds

**Capital Budget:** The capital budget has been drastically reduced. The reduction in REET is the largest revenue loss by percentage in San Juan County. At this point, we are unable to take care of our facilities. The continued review of county finances in 2010 should include consideration of the second ¼% REET, which is available to us. This 2010 budget will be able to take care of little more than debt service. The Courthouse Restoration grant match will need to be carried into 2010 until more local match can be raised. The next phase of the Odlin Park renovation – the group camping area – is made possible due to a grant, but will also require short term borrowing for the local match until the REET revenue recovers.

**Lodging Tax:** This program has been affected by the economic downturn. The promotion contract and the facilities contracts will have about 8-9% less revenue to distribute. These are still robust programs due to our vibrant tourist economy. The Council should still pay special attention to the pending tourism master plan, as it paves the way for strategic investments to bolster both the tourism economy and quality of life for islanders.

**Public Facilities Financing Assistance Program:** This program is the county’s mini-stimulus program. It provides for grants for public agencies for economic development purposes, such as improvement to the systems of sewer districts. Since it is sales tax dependent, the proceeds will be down. It will provide about \$300,000 for the 2010 public facilities grants. Improvements for 2009 include an upgrade to the Boe Building at the fairgrounds, wastewater capacity improvements for the Fisherman Bay District and San Juan Parks, and a contribution toward a waterfront main pipeline for the Town. During the year, the Agricultural Resources Committee staff was also transferred to the Economic Development Council with support from this program, which should provide a valuable backdrop for the economic development of agriculture in the San Juans.

### Public Works Departments

**Roads:** The difficulties experienced by the Roads program are a microcosm of the troubles of our general fund. There is the erosion of ending fund balance, which is projected at approximately \$0.5 million. This has eroded from approximately \$3 million just a couple of years ago. A hidden weakness is the lack of transfer to ER&R to help finance equipment replacements. County discussions on long-term budget financing must include strategies to stem the

flow of Road Tax into County Current, or the road facilities now properly maintained will be degraded over time. Highlights of the Road Fund activities in 2010 will be the planning of the Mt. Baker Road construction project and over 20 miles of chip seal resurfacing on San Juan, as well as several smaller projects. As evidenced by the good response to snow and ice this past year, the hook-lift system trucks that allow plowing and sanding at the same time will provide the best service we have experienced, while allowing the auction of old single purpose vehicles.

**Equipment Repair & Replacement:** The equipment list for this year includes motor pool vehicle replacements, 4 one-ton truck replacements, a sander unit, communications equipment replacement and a large mower replacement.

**Solid Waste:** The solid waste program must multi-task this coming year. The existing San Juan transfer station is planned for roof and storm system construction to be compliant by April. The preparations for the replacement facility are ongoing. Other compliance improvements are being prepared for Orcas and Lopez. More adjustments to the operating hours may be needed to manage the lower solid waste volumes. A new funding system has been proposed by the SWAC, and must be implemented in order to fund the system improvements.

**Stormwater:** The budget submitted anticipates that 2010 will be a planning year where the newly formed Stormwater Committee will submit its analysis of the needs storm plans show for capital projects. Key capital projects remain funded in Eastsound, but no new projects are possible without grants or private project funding. More basin studies are on tap, and water quality monitoring will be ramped up to the extent that we can find a stormwater engineer.

#### SUMMARY:

A question posed at a public meeting in early August about the possibility of a lid lift was, "What kind of county do you want to live in?" Whether the lid lift passes or not, I believe the result will give only clues, not answers. Much work must be done. A sustainable budget requires a new paradigm. Some of that paradigm is in the control of county government, some is in the control of the voters and some is in control of the state legislature.

Since the state legislature embedded the premise of I-747 after the court found it unconstitutional, the role of property tax at best is placed in the hands of the voters and at worst will play a slowly diminishing role in funding county government. The counties need to consult with each other and the state legislature to determine a more rational method for funding county government. One of the ironies of the day is that the more difficult it becomes to fund services, the higher the political voltage that is pumped into the thought to change it. The

fiscal crisis and response state of California shows us that. Our job as government leaders is to respond to creative ideas, not amplitude. We must calmly and carefully go about our jobs in 2010 to carry out the services provided by our diminished county organization, as well as plan for the right organization in the future.