

**League of Women Voters of Mason County**  
**Mason County Budget Study**  
**Second Interim Report, May 31, 2010**

**Purpose of the Budget Study:** The League of Women Voters of Mason County in 2009 began a study of the county's budget process, as part of its ongoing "Know Your County" project. Study goals are to educate League members and the public about the county budget, and to encourage citizen involvement in the process. Our questions are: Where does the money come from to run the county? Where does it go? What is the process for making budget decisions? What opportunities do citizens have for input on the budget?

**Activities Update:** We interviewed selected department heads and their staff; attended weekly Commission briefings with department heads and elected officials, and Commission meetings; conducted detailed review and analysis of 2010 budget documents; submitted questions to department heads, elected officials and BOCC regarding the budget; submitted public disclosure requests for budget and management-related documents.

**Accomplishments:**

**1) We recommended the following changes to the 2010 budget process that the Board of County Commissioners (BOCC) adopted:**

- **Maintain an audit trail of changes** during the budget process. This step is essential for the integrity of the budget process. The **Auditor** maintained the 2010 budget database to include an audit trail of all changes from the preliminary budget to the adopted budget.
- **Use the single set of budget documents developed by the Auditor** in accordance with state law, to avoid duplication of effort and confusion resulting from different budget numbers.
- **Provide employee position and budget details for all county departments** to give a clear picture of the total county budget. Public Works employee positions were included in the main budget document for the first time in a decade.
- **Hold the first public budget hearings the first week in October** as allowed by state law, rather than a single hearing in December. BOCC held seven announced budget "workshops" October through November to allow public review and input on the preliminary budget, as well as in the final hearing in December.
- **Record proceedings of all BOCC public meetings** (briefings, workshops, and hearings), to provide a record of decisions and comments. As requested by the League, BOCC assigned staff to take notes at the budget workshops. In January, 2010 BOCC agreed to record briefings with department heads and elected officials and to make the records available to the public (at cost) upon request.

**2) We held Public Forums in Belfair and Shelton to present findings of the first Interim Report** (September 2009). Forums, timed to prepare citizens to participate in the October budget workshops, were attended by 20 and 35, respectively.

**3) We encouraged citizens to attend budget workshops and hearings** and to voice their questions and concerns. The October and November workshops were well attended, as were the final hearings in December. To better understand all stages of the budget process (development, spending and review), League members regularly attended weekly briefings and BOCC hearings.

**4) We prepared questions for elected officials and department heads** requesting clarification of specific items in the preliminary budget. Questions were submitted prior to the workshops and most elected officials and some department heads responded, either in writing or verbally in the workshops or both, although not all questions were answered.

**5) Published letters in the Shelton-Mason County Journal** regarding the League and the Budget Study.

## **What did we learn?**

1) The Board of County Commissioners (BOCC) adopted a 2010 General Fund budget of \$26 million out of a total budget of \$113 million. **The 2010 General Fund budget has no flexibility for unbudgeted activities or unforeseen expenditures.** While revenues and expenditures appear to be balanced as of May 2010, the situation could quickly change. Several challenges are looming, especially several unfunded liabilities:

- **Settlement for unresolved labor negotiations** with the county's twelve bargaining units could force the county to borrow from within over \$1 million to meet its commitments.
- **The county borrowed money from the Accrued Leave Fund** to cover 2009 unbudgeted obligations. This fund was established to pay saved vacation and sick leave days when General Fund employees leave employment under certain conditions. As of December 2008 the amount owed this fund was \$1.5 million. In August 2004 the BOCC passed Resolution 70.04 to fully fund the Accrued Leave Fund by 2015. In 2009 the current BOCC did not take any action during the budget development process toward adding dollars to the fund. To meet the 2010 target, 75% of the total amount owed to county employees in December 2008, or \$1.2M, would have to be in the fund by the end of 2010, a target not achievable under the current budget.
- To help balance the budget the **BOCC reduced the Equipment Rental & Revolving (ER&R) assessments on each department**, resulting in \$731 thousand less revenue for the fund. While the departments will have lower expenditures for 2010, ER&R reserves will be drawn down. For example, when the Sheriff needs to replace a vehicle, funding reserves might not be available.

**While county officials did not know the exact amounts of the above liabilities at the time the 2010 budget was adopted, the budget does not include plans or provisions for meeting them.**

2) **The Ending Fund Balance (EFB)** – cash on hand to meet monthly bills - fluctuates over the year since most revenues from property taxes are received in April and October. Monthly commitments in any given month total approximately \$2.2 million, but in some months the EFB may be as low as \$1.1 million. The Treasurer has warned repeatedly that the EFB should be at least \$2.5 million. The BOCC adopted a resolution in 2009 to build up the EFB: beginning in 2010 and gradually over a three year period, the General Fund cash on hand would be maintained at 9 to 12 per cent of the previous year's General Fund budget which would be \$2.3 million for 2010.

- In 2009 the county borrowed \$2 million from the ER&R Fund because the Treasurer was concerned that cash on hand had dropped to an unsafe level. The loan was paid back while the 2010 budget was being developed.
- For 2010 a **\$2 million line of credit was set up to tap into the Equipment Rental & Revolving (ER&R) Fund** in case cash reserves are insufficient to meet the county's obligations. The ER&R fund is used to replace outdated or unusable equipment. Some scheduled equipment replacement has been deferred, including replacement of Sheriff's vehicles.
- From 2005 through 2009 the cash on hand dropped from \$3 million to under \$500 thousand during the critical month of March just before property taxes are collected. League budget study group asked for and was promised an explanation of what the cash reserves had been spent on but was never provided with this information.

3) **Special or Dedicated Funds are three times greater than Current Expense** or General Fund. Yet Commissioners approved these revenue and expenditure streams without detailed budget documentation. For example, the Belfair Waste Water Treatment Facility construction (about one third of total 2010 dollars) is detailed on less than one page of the budget document. Given the proportion of this item in the total budget, more documentation is warranted, particularly with respect to contingencies, which are likely to arise in a construction project of this magnitude.

4) The county's Human Resources (HR) department appears to have been poorly managed in recent years. **Labor contracts went unresolved** for as long as three years, leaving the county liable for dispute settlements of unknown amounts (see 1) above). **HR provided no guidance for equitable staff cutbacks** during the 2008-09 budget reductions when 50 General Fund staff were let go. As a result, staff cutbacks were inequitably distributed, leaving some departments severely understaffed while facing increasing workloads. Departments providing mandated services – Auditor, Treasurer, Assessor – had to reduce staff and hours available to serve the public. League Public Disclosure requests in 2009 found that **few departments conducted annual performance appraisals**, a basic requirement for public employees. Subsequent requests have found more – but not all - departments conducting these appraisals. The former HR director

was fired in December 2009, and hiring for a new director is in process as of May 2010. **At a minimum, the county must determine appropriate and equitable staffing levels for all General Fund departments to fit into the reduced revenue stream. Additionally, all employees' performance, regardless of fund source, must be reviewed annually.**

5) **The county depends on grants from state, federal and other agencies to fund significant portions of the budget.** For example, grants fund 16% of the General Fund budget and larger proportions of Special Funds such as Public Works and Utilities.

While the BOCC, signs off on all contracts, the system for **grants management and accountability** relies on departments to voluntarily report when grant moneys are actually received, the amounts and timing of expenditures and reimbursements, and whether performance requirements are met, This makes it difficult to track grant income and expenditures in the county budget, and could jeopardize future grant funding if errors occur with existing grants. The county is scheduled to implement a new computer system which will support improved grants management, but **increased monitoring of grants by department heads and elected officials is also needed to ensure accountability.**

6) Mason County purchases coverage for liability exposure through Washington Counties Risk Pool (WCRP). From Jan. 2004-Feb. 2010 the county paid assessments for coverage totaling \$3.1M while closed claims totaled \$3.5M. **Based on this record of performance, Mason County's assessment for 2010 increased significantly.** Mason County, one of the largest in the Pool of 28 counties, pays the lowest deductible allowed by the Pool, \$10K per occurrence, while the standard deductible paid by other member counties is \$25K to \$100K and some elect to pay higher deductibles to maintain the viability of the Pool. According to their website the Pool is "committed to a proactive style of risk management techniques to prevent or reduce the frequency and severity of losses before they occur." **Mason County needs to implement proactive risk management techniques or risk continued increases in assessments by the WCRP.**

## **Recommendations:**

1) **Set realistic budget goals and priorities by July 2010 before the 2011 budget process begins.**

2) **Make the 2011 budget process transparent, understandable to the public, effective and efficient:**

- Follow the calendar and process used for 2010 to prepare the 2011 budget:
  - Establish the Auditor as the single source of budget data and updates.
  - Provide the preliminary budget to the public in September.
  - Hold public information meetings on the preliminary budget during the first week of October as allowed by state law, in addition to the minimum required public hearing in December to ensure adoption of the final budget by the December 31 deadline.

- Provide opportunities for citizens to ask questions and to have them answered by county officials.
  - Continue to record all meetings attended by two or more commissioners, and make recordings readily accessible to the public.
- Include detailed revenues and expenditures for all funds, including all Special Funds, in the published budget detail. This would include the detailed expenditures for Hotel Motel Tax, Rural Sales and Use Tax, and Community Support Services as well as Utilities and Public Works.

**3) Look for opportunities for additional savings in the county budget**, for example, shop around for the best price on health insurance for county employees, establish centralized purchasing for office supplies, and continue to identify property that can be sold or converted to other uses.

**4) Implement systems of internal management for county departments**, particularly Human Resources, Risk Management, and Grants Management, that are consistent with best management and accounting practices for public agencies. Such systems can help maximize efficiency while minimizing the county's liabilities.

**5) Encourage on-site or in-person media coverage** based on real time and in-person reporting at county budget proceedings, so that as much of the public as possible has full information.

**6) Record all public meetings**, including the Board of Health and all advisory or commission meetings.

### **Next Steps in the Budget Study:**

- Follow development of the 2011 budget: a) Conduct public forums in June 2010 to present information from the Budget Study and engage citizens in the budget process. b) Analyze the preliminary 2011 budget and review changes. c) Provide written questions to elected officials and department heads regarding specific items in the budget. d) Conduct public forums in September 2010 to present preliminary budget information e) Make Public Disclosure requests for documents as needed to understand the budget.
- Encourage citizens to attend public hearings and meetings and to track budget issues.
- Work with county officials to make tapes of recorded meetings accessible online and at no charge to the public.

**Acknowledgments:** We appreciate the cooperation of elected officials and their department staff in answering our many questions. We have learned that the county has many dedicated employees who do their best to serve the interests of Mason County and its citizens.