



# Board of Commissioners Work Study Session Minutes

8:30 AM Wednesday – August 25, 2010  
Port Blakely Conference Room

Attending:

County Commissioners: Josh Brown, Steve Bauer, Charlotte Garrido  
Commissioners Staff: Eric Baker, Angie Silva, Deanna Erstad  
Strategic Financial Planning: Amber D'Amato  
Community Development: Larry Keeton  
Assessor: Jim Avery  
Public Works: Randy Casteel  
Auditor: Walt Washington  
Information Services: Bud Harris  
Personnel: Bert Furuta  
Treasurer: Meredith Green  
City of Port Orchard: James Weaver  
Citizens: Vivian Henderson, Mark Kuhlman, Teresa Osinski

**1. Approve minutes for 7/14/10, 7/21/10 & 7/28/10**

Action: Minutes were approved.

**2. [UGA Financial Analysis](#) – Eric Baker**

Eric said the action requested at this meeting is to review and discuss the completed UGA model and preliminary results of UGA revenues and expenditures.

Over the last two years, Special Projects and other departments and offices have been conducting a review of the county's revenue and expenditures within the 10 Urban Growth Areas in Kitsap County. Through a competitive process, a consultant, Henderson, Young & Co. was selected to assist in this effort. The project used an electronic model for calculating the results. This model is complete and results are available.

This process had three original goals:

- Assess the revenue and expenditure impacts of annexation/incorporation
- Look at both operation and maintenance costs as well as known capital expenses
- To provide a replicable and scalable model for use by County staff for future planning activities and financial analysis.

As the project moved forward, a fourth goal was included to attempt to capture regional service and revenues from each UGA.

The services analyzed included law and justice, wastewater, stormwater, transportation, building/planning, parks and solid waste. Services not included were Assessor, Treasurer, Auditor, Administrative Services, Personnel & Human Services.

The study projected the future capital improvement expenditures over the 2008-2025 planning period reviewed by UGA. The improvements included:

- Wastewater – pump stations, trunk lines, plant capacity improvements
- Stormwater – regional detention/retention systems, outfalls
- Transportation – roadways, bike lanes, pedestrian amenities, culvert replacement/enhancement
- Law & Justice (Sheriff and Jail) – new or expanded police stations and jail facilities
- Parks & Recreation – parks and open space acquisition, trail development, new/expanded sports fields
- Solid Waste – transfer station improvements

Eric discussed Local versus Regional services.

#### Local Services:

- Building/Permitting
- Roads
- Wastewater
- Stormwater
- District Court
- Sheriff

#### Regional Services

- CenCom
- Clerk
- Coroner
- Jail
- Juvenile
- Prosecuting Attorney
- Superior Court
- Parks
- Solid Waste

Discussion was held on Parks – what is considered local versus regional. We have parks that are local community parks and others that are larger regional parks. When annexations are done, the local parks inside incorporated areas need to be transferred over to the cities.

#### Other Services

- Assessor
- Treasurer
- Auditor
- Administrative Services
- Commissioners

Question was raised about Administrative Services/Commissioners being regional versus local – feel we should do budget distribution on those on a per capita basis.

Discussion was held about other services, such as the Health District being regional services. Eric will start taking a look at the others – Animal Control etc and make a recommendation.

Personnel and Human Services cannot be added into the model due to their predominantly grant funded nature and the unpredictable fluctuation in the state and federal funding from year to year.

#### Local Revenue

- Sales tax (majority)
- Road Fund
- Stormwater fee
- Permit fees
- District Court Filing Fee
- Impact Fees
- Other local service fees and fines
- Wastewater fees

Board agreed that wastewater should be moved to the regional list.

#### Regional Revenue

- Property tax – current expense
- Sales Taxes (Portion)
- Other charges and fees from regional services

Eric discussed what the appropriate drivers are.

#### Discussion Points:

- We need to get consensus on the drivers and the Board would like to see an explanation of drivers.
- Regarding Law and Justice, are there really differences in areas of the county that are that significant?
- Drivers (trends) are based on the growth from 2003-2007 data only.
- Eric talked about some concerns the Sheriff and Prosecutor raised: Predicting crime rate is based upon a whole host of items far more robust than what is shown in this model. Five years is too short a time to truly be able to assess that - they would prefer a 10 year period and they don't quite agree with the averaging of felony cases to the point of where one murder case is equal to one armed robbery case. The calls for service are the ones tracked through Cencom.

#### Considerations to think about:

- Using 2003-2007 time period "Good Ole Days". Any range of years we could use would be unique, so when you are forecasting you should put emphasis on the more recent data than the older data because it's more current. Another approach we might think about is a range: while things are depressed here, what we think we can expect versus what we can expect in normal times. Both of those are true and important for us.
- The first thing we want to get out of this analysis is a clear delineation between revenue and local expenditures and revenue. We are not there yet but hopefully by the time we are adopting the 2012 budget we'll be able to look at the budget and we'll be able to include those regional and local splits. The problem we need to solve is: are we off kilter in one way or another and after we figure that out we need figure out how do we use this analysis to drive county strategy.

- Trends need to reflect the good and the bad and the longer period of time. The drivers and timelines are really important players in the analysis that we work with.

Reality check – Capital Improvement list.

- Next time there is a large annexation we need to sit down and discuss how this is going to effect our budget decisions moving forward.
- We need a clear set of internal policies in regard to annexations/incorporations.
- This is a real turn in how we look at how we do business, to begin to differentiate between local and regional. It is important for us to begin to get the information to review and analyze and modify it as we need to.
- How can we be proactive in terms of creating partnerships with the cities?
- UGAs are much more real than they were 10-15 years ago.
- What is our definition of services?

Determine Service Specific Inflation Factors:

Eric talked about Property Tax – Current Expense (2007) for each of the 10 UGAs – money being received by county.

Sales Tax – where sales tax comes from

- Methodologies for retail, construction and streamlined sales tax calculations
- Customize analysis for total retail sales for base year (2007)
- Retail Trade Capture
- Construction based on assessed values of estimated new construction.
- Streamlined sales tax based a Claritas product

Next steps

- Finalize revenue projections
- Include 2008-2009 data revenues and expenditures
- Adjust regional versus local services
- Update model – additional services, assessor, Treasurer, etc
- Adjust or add drivers for specific services

*Action:* Eric will meet with each Commissioner individually regarding policy and the direction and bring back to Board for review. Commissioner Brown asked Eric and Amber get together and develop a work plan.

## **FIVE MINUTE BREAK**

### **3. [Revenue Sharing with Port Orchard Status](#) – Eric Baker**

Eric updated the Board on the revenue sharing review process and preliminary findings. Over the past five months, County staff, the Sheriff and Commissioner Garrido have been meeting with the City of Port Orchard regarding revenue sharing issues between our two jurisdictions. These meetings have included topics such as annexation process, transition of services, opportunities for regional service provision and the potential transition of staff. The

discussions used the Bethel North annexation area as a pilot to discuss provision costs and issues of transfer. Specific elements of discussions are:

- General
- Annexation process and pre-annexation checklist
- Revenue Sharing and Contracting
- Regional Stormwater Provision – Specific areas to be addressed
- Transition of Employees
- City of Port Orchard Revenue Sharing Proposal

#### Discussion Points:

- None of the annexations are going to occur without the citizens by-in. All annexations have been petitioned by citizens.
- Because we are doing this template of the Revenue Sharing Agreement and the City of Port Orchard doesn't want to participate in the past agreement, we are trying to figure out an equitable way to go forward and that means we need to go through an exercise that has involved as much time as this one has. Not sure it is cost effective for either jurisdiction to put that kind of time into it.
- How can we begin to look at the big picture and even if we don't take it all at once, have a clearer understanding of what our investments are in the meantime, before the City actually assumes responsibility.
- How do we transition the responsibilities in a reasonable way for both jurisdictions?
- The Board appreciates the fact that the City doesn't want expensive and politically contested elections, but there is a difference between waiting for citizens to come in with petitions and going out working with citizens to get their signatures. Problem with relying on citizen petitions is that it doesn't end up being logical.
- Still looking for some investment about being proactive and making the annexations happen. Would be reassured to hear that "we are going to do it, we have a program to do it, we are committed and we know that it means going out and working with citizens".
- James Weaver said he feels that this conversation really needs to happen at KRCC and Elected level. As far as staff, they are directed to process applications. We try to resolve all the technical aspects of each one as it comes in. The goals and values and missions long term of the City really has to be at the Mayor and Council level for these discussions.
- Would hope the City would be a little more proactive about putting votes out there as other cities have and that we team together to figure out how to do this right.
- During this economic time, both jurisdictions are at the brim of being able to provide basic level of services with the revenues that we have right now.
- We need to balance the numbers at the end and use as a reminder to move ahead on an annexation policy.

Eric briefed the Board on the Two Proposals from the City of Port Orchard.

Action: The Board would like to see feedback and recommendations from Public Works and Eric will put together and send to the Board.

#### 4. **IS Reserve Policy** – Meredith Green/Walt Washington/Bud Harris

Bud said he is asking the Board to authorize the Finance Committee to move forward with a resolution to adopt the Information Services Reserve Fund Policy. The policy has been reviewed and approved by the County Finance Committee. The operational affect of the policy ensures that all departments and agencies being served by Information Services will also be funding Technology Initiatives that are for their benefit and or use. He briefed the Board on the proposed policy.

Discussion Points:

- Need for \$500,000 capital revolving fund.
- What is the process for funding a major system upgrade? Are we funding that out of reserves or out of debt?
- Bud said the concept is that it goes through the Technology Initiatives Committee for consensus to commit that kind of money.
- With almost \$2 million in the reserve fund – according to this policy, and in the current economic situation, we should go into the reserve fund and bring \$1.5 million out to fund things this year.
- Need for a policy that really talks about what we are doing, what our method of funding is going to be, and how that relates to the reserves. Need to go back and reassess how much is there compared to the capital needs and we need to reassess this policy and talk about how we are going to deal with major capital investments, how that relates to the amount that is in the reserves and how it gets billed to users.
- Need multi-year plan and financing plan.
- Any carry-over at year end going into a reserve fund – should this be refunded to the users?
- Plan ahead a 6 year CIP and reserve levels to do funding levels.

Action: This issue will be put on the Finance Committee agenda will be brought back to the Board.

#### 5. **Voluntary Separation Incentive Payment Plan – Bert Furuta**

Bert presented the revised Voluntary Separation Program and discussed the changes.

- Amber talked about changing wording to address leave buy-out .
- Commissioner Bauer would like to see the less than 10 year category be taken out.

Action: Bert will make corrections and bring back to the Board on Monday for review.

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The Board recessed into Executive Session at 12:10 to discuss real estate issues. No action was taken.

**ADJOURN**

Submitted by Deanna Erstad  
Commissioners Office