

**JEFFERSON COUNTY
BOARD OF COUNTY COMMISSIONERS**

REGULAR AGENDA REQUEST

TO: Board of County Commissioners

FROM: Mark McCauley, County Administrator

DATE: October 14, 2024

SUBJECT: Resolution, re: In the Matter of Establishing Methods and Procedures to be Employed During Recessions and Other Periods of Severe Financial Stress

STATEMENT OF ISSUE:

After a number of years with robust General Funds revenue streams the County must plan for some of those streams to shrink. Two revenue streams already shrinking are investment income and DNR timber revenues. The reduction could be \$500,000 or more in 2025. Another significant revenue that could be reduced is sales tax should the economy slow or enter into recession. The Conference Board's Leading Economic Indicator is signaling that we are in recession currently or are heading in that direction.

In addition to declining revenues the County is faced with significantly higher costs due to the 20% plus inflation we've experienced since 2021.

ANALYSIS:

The combination of these circumstances and fiscal prudence requires that the County be prepared to react in order to maintain fiscal stability. To that end the attached resolution establishing methods and procedures to be employed during periods of severe financial stress has been prepared for Board consideration.

The proposed resolution has been shared with the County's other elected officials and with our department directors. It was drafted with the assistance of Finance Manager Judy Shepherd, Treasurer Stacie Prada, Auditor Brenda Huntingford, Human Resources Director Sarah Melancon and the Prosecuting Attorney's Office.

FISCAL IMPACT:

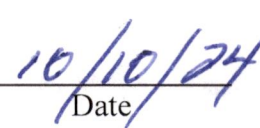
This request has no fiscal impact.

RECOMMENDATION:

That the Board of Commissioners approve and adopt the attached resolution.

REVIEWED BY:


Mark McCauley, County Administrator


Date

STATE OF WASHINGTON
County of Jefferson

**In the Matter of Establishing Methods and
Procedures to be Employed During
Recessions and other Periods of Severe
Financial Stress**

RESOLUTION NO. _____

WHEREAS, Jefferson County relies on revenues from a variety of sources to fund its services and functions; and

WHEREAS, the County's current financial situation is strong with healthy reserves and sustaining revenue streams, which has yielded a number of significant benefits:

- a. *Parity in Employee Pay*. The County has been able to substantially improve employee compensation which has helped attract and retain excellent employees. This has also resulted in improved employee morale and engagement.
- b. *Additional & Necessary Staff*. The County has been able to add additional staff for a number of key critical functions including fire marshal, expanded IT team, expanded HR team and public information team, and an additional civil deputy prosecuting attorney to name a few.
- c. *Capital Projects*. Capital projects including, but not limited to, software system upgrades or replacement, records relocation, and electric vehicles.

These actions have increased the County's expenses significantly but revenues have kept pace; and

WHEREAS, many of the county's revenue sources are vulnerable to economic downturns in general or other circumstances in particular that could result in severe revenue decreases; and

WHEREAS, prudent financial management requires that county leadership anticipate and plan for events such as these; and

WHEREAS, the County Administrator monitors a variety of national, regional and local financial indicators such as the Conference Board's Leading and Coincident Economic Indicators among others to help anticipate and plan for the events; and

WHEREAS, a variety of management actions exist to align county expenditures with county revenues to ensure that financial reserves are maintained at acceptable levels – at least 15% of the General Fund expenditure budget; and

WHEREAS, describing these management actions in advance of these potentially adverse conditions will better prepare the Board of County Commissioners, other elected officials, and department directors to implement these management actions should the need arise; and

WHEREAS, best practices and prudent management require that local government think about these possibilities in advance and plan for them; and

WHEREAS, if the County should enter into a recession, sales tax and other revenues could be reduced, which would trigger actions and processes that are described in Sections 4 and 5 below; and

WHEREAS, other public agencies (including our neighboring county) have been taking action to implement some of the processes that are listed in Sections 4 and 5 below; and

WHEREAS, our employees have a right to know that these management actions could be implemented which might adversely affect their conditions of employment with the County;

NOW, THEREFORE, THE BOARD OF COUNTY COMMISSIONERS OF JEFFERSON COUNTY, WASHINGTON, HEREBY RESOLVE AS FOLLOWS:

Section 1. Establishing Methods and Procedures to be Employed During Recessions and other Periods of Severe Financial Stress. The Board of Commissioners of Jefferson County does hereby establish the following methods and procedures as outlined in Sections 4 and 5 below ensure the financial stability of the County during times of financial stress, which may be employed separately or in combination, in any order depending on the severity and expected duration of the financial stress.

Section 2: Whereas Clauses Adopted as Facts. The Jefferson County Board of Commissioners hereby adopts the above “Whereas” clauses as Findings of Fact.

Section 3. Purpose. The purpose of this resolution is to identify methods and procedures for dealing with reductions in revenue that could endanger the financial health of the County.

Section 4. Methods and Definitions related to Managing Government During Recessions and other Periods of Severe Financial Stress (these are in no particular order):

- a. *Work hour reduction.* Workday or work week reduction of some size to achieve savings in salaries and benefits, in accordance with current collective bargaining agreements.
- b. *Furlough.* Period(s) of some duration in which employees are not to report for work to achieve savings in salaries and benefits, in accordance with current collective bargaining agreement.
- c. *Hiring freeze.* A moratorium in filling vacant positions to achieve savings in salaries and benefits.
- d. *General Fund Operating Transfer Reduction.* Reduce support to other funds enacted through an emergency supplemental appropriation to reduce General Fund expenditures.
- e. *Discretionary spending cuts or freeze.* Discretionary spending on operating expenditures, i.e., training, travel, subscriptions, etc.
- f. *Reduce or eliminate services.* Low priority, non-mandatory services.
- g. *Contract renegotiation.* Support to organizations the County offers financially through memoranda of agreement/understanding, grant agreements and other agreements.
- h. *Contract cancellation.* Cancel County contracts with organizations where the financial support is contingent of funding being available.
- i. *Reduction in Force.* Laying off employees to achieve savings in salaries and benefits, in accordance with current collective bargaining agreements.

Section 5. Procedures for Managing Government During Recessions and other Periods of Severe Financial Stress:

- a. *Financial forecasting.* County core financial staff (County Administrator, Finance Manager, Treasurer, Auditor, HR Director) and the Budget Committee meet monthly to review financial performance and observe trends. The performance of significant revenue streams and related expenditures can be evaluated to determine whether any of the methods in Section II should be considered or activated.
- b. *Sizing the problem.* Core financial staff will evaluate emerging financial stress situations to consider whether action must be taken, the action to take and when.
- c. *Proposing a strategy.* Core financial staff will develop a financial plan to be briefed to the Budget Committee for consideration and discussion.
- d. *Work with stakeholders (Electeds and Directors).* Core financial staff will work with stakeholders to refine the financial plan.
- e. *Approval by the Board of Commissioners.* Core financial staff will present the financial plan to the Board of Commissioners for approval.
- f. *Financial Plan implementation.* County staff will implement the actions in the plan approved by the Board of Commissioners.
- g. *Financial Plan monitoring.* Core financial staff will monitor the results of the financial plan and will report results to the Budget Committee and to the Board of Commissioners.
- h. *Adjusting the plan.* Core financial staff will propose changes to the financial plan based on results and the changing financial situation.

Section 4. Severability. If any section, subsection, sentence, clause, phrase or section of this Resolution or its application to any person or circumstance is held invalid, the remainder of this Resolution or its application to other persons or circumstances shall be fully valid and shall not be affected.

Section 5. SEPA Categorical Exemption. This Resolution is categorically exempt from the State Environmental Policy Act under WAC [197-11-800 \(19\)](#).

Section 6. Effective Date. This Resolution shall take effect and be in full force immediately upon passage by the Board of County Commissioners.

(SIGNATURES FOLLOW ON THE NEXT PAGE)

ADOPTED and APPROVED this _____ day of October, 2024.

SEAL:

JEFFERSON COUNTY BOARD OF
COUNTY COMMISSIONERS

Kate Dean, Chair

Greg Brotherton, Member

Heidi Eisenhour, Member

ATTEST:

APPROVED AS TO FORM:

Carolyn Gallaway, CMC Date

Philip C. Hunsucker, Date
Chief Civil Deputy Prosecuting Attorney