JEFFERSON COUNTY
BOARD OF COUNTY COMMISSIONERS

AGENDA REQUEST

TO: **Board of County Commissioners**
Mark McCauley, County Administrator

FROM: **Judy Shepherd, Finance Manager**

DATE: **August 22, 2022**

SUBJECT: **Establish Policy for Financial Assistance from the General Fund for Operations or Expenditures to Special Revenue Funds**

STATEMENT OF ISSUE:

The County's General Fund has a practice of providing Operating Transfers from the General Fund to Special Revenue Funds. These transfers have not been reviewed on a consistent basis and have been on-going for a number of years.

ANALYSIS:

The General Fund Operating Transfers approved during the budget process have been receiving the same target percentage increase as all other expenditures. This has aided in healthy fund balances in special revenue funds that increased over time and, therefore, may justify a reduction or the elimination of an operating transfer. This policy establishes a process and procedure for the County's General Fund Operating Transfers to be reviewed annually and/or quarterly to special revenue funds when requested.

FISCAL IMPACT:

The expectation is that less General Fund monies will be identified as operating transfers which will result in the General Fund continuing to maintain a healthy balance in anticipation of reduced revenues in the upcoming years due to recession. The fiscal impact of this policy will be during the first review with the 2023 Mid-Biennium Review.

REVIEWED BY:

Mark McCauley, County Administrator — Date 8/17/22

STATE OF WASHINGTON
County of Jefferson

In the Matter of Establishing a Policy for Financial Assistance from the General Fund to Assist Operations or Expenditures to Special Revenue Funds	} } } }	RESOLUTION NO. _________

WHEREAS, recent inflation figures show a 9.1% year over year increase in prices which will substantially increase the County's costs to provide services; and

WHEREAS, the Federal Reserve increased the interest rate a total of 1.50% in June and July, 2022, resulting in the federal funds rate increasing to between 2.25% and 2.50%; and

WHEREAS, rising interest rates depresses economic activity, especially for durable goods, cars, and housing; and

WHEREAS, as stewards of the public purse, we have an obligation to account for these fiscal realities as it relates to the sustainability of General Fund monies;

WHEREAS, General Fund resources support County special revenue funds as necessary to continue to provide services to the community; and,

WHEREAS, the County has an obligation to review and assess the requests annually and/or quarterly for financial assistance;

NOW, THEREFORE BE IT RESOLVED that the Board of Commissioners of Jefferson County establish the *Policy for Assistance from the General Fund* per the attached addendum.

(Signatures on following page.)

APPROVED AND ADOPTED this _______________ in Port Townsend, Washington.

SEAL:

JEFFERSON COUNTY
BOARD OF COMMISSIONERS

Heidi Eisenhour, Chair

ATTEST:

Greg Brotherton, Member

Carolyn Gallaway
Clerk of the Board

Kate Dean, Member

Policy for Financial Assistance from the General Fund to Assist Operations or Expenditures to Special Revenue Funds

Purpose: To document the process and procedure to request General Fund financial assistance to Special Revenue Funds. Simply, support the ask.

Terms Used:

The General Fund. The fund used to account for and report all financial resources not accounted for and reported in another fund. For reporting purpose, a local government can have only one general fund.[1]

Special Revenue Funds. The funds used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. Restricted revenues are resources externally restricted by creditors, grantors, contributors or laws or regulations of other governments or restricted by law through constitutional provisions or enabling legislation. Committed revenues are resources with limitations imposed by the Board of County Commissioners (BoCC) and where the limitations can be removed only by a similar action of BoCC. Revenues do not include other financing sources (long-term debt, transfers, etc.).[2]

Policy Statement:

There are times financial support is necessary from the General Fund to assist operations or expenditures funded by Special Revenue Funds. Primarily there are two basic categories that may require assistance from the General Fund: 1) negative cash flow below adequate fund balance to maintain operations, and 2) assistance for operational critical expenditures. In these cases, and possibly others, the General Fund can provide financial assistance.

Special Revenue Funds, per the Washington State Auditor's Office (SAO), must receive 20% of revenues from outside of the local government to be classified as special revenue fund. With this guidance, it is presumed that Special Revenue Funds are sufficient to manage operations which they fund without additional assistance from the General Fund.

Procedure:

Requests for General Fund financial assistance for operations funding by Special Revenue Funds will be reviewed during the biennial budget development and the quarterly budget appropriation process. The elected official/department head/designated financial staff will make a request to the Finance Manager, providing the following documentation for review:

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[1] *See* https://sao.wa.gov/bars_cash/accounting/accounting-principles-and-internal-control/fund-types-and-accounting-principles/#Code000, Accessed August 13, 2022.

[2] *See* https://sao.wa.gov/bars_cash/accounting/accounting-principles-and-internal-control/fund-types-and-accounting-principles/#Code000, Accessed August 13, 2022.

A. Operations assistance due to decreased revenues to support day to day operations:
   1. What is the revenue that is reduced and why? Is this a temporary or permanent change?
   2. Provide documentation of expenditure review to attempt to handle the reduced revenue within the fund.

B. Expenditure assistance:
   1. Define the expenditure(s), providing expenditure details.
   2. Provide basis and the impact the expenditure will have on fund operations.
   3. Provide analysis of lacking adequate fund balance, revenue, and other expenditure adjustments to cover the expenditure through the end of the budget year.

The Finance Manager will review all requests for assistance from the General Fund for operations and expenditures funded by Special Revenue Funds and provide a recommendation to the County Administrator. The County Administrator will review and, following completion and/or agreement with the Finance Manager's recommendation, will present to the BoCC in the biennial budget or appropriation process.

All requests for assistance from the General Fund for operations and expenditures funded by Special Revenue Funds will be considered on a case by case basis as a one-time transfer for the current budget year, unless another term has been approved by the BoCC.

The BoCC has the authority to:

- ➢ Approve financial assistance from the General Fund,
- ➢ Extend the duration of financial assistance beyond the current year, and
- ➢ Change financial assistance that has been previously approved by the BoCC.