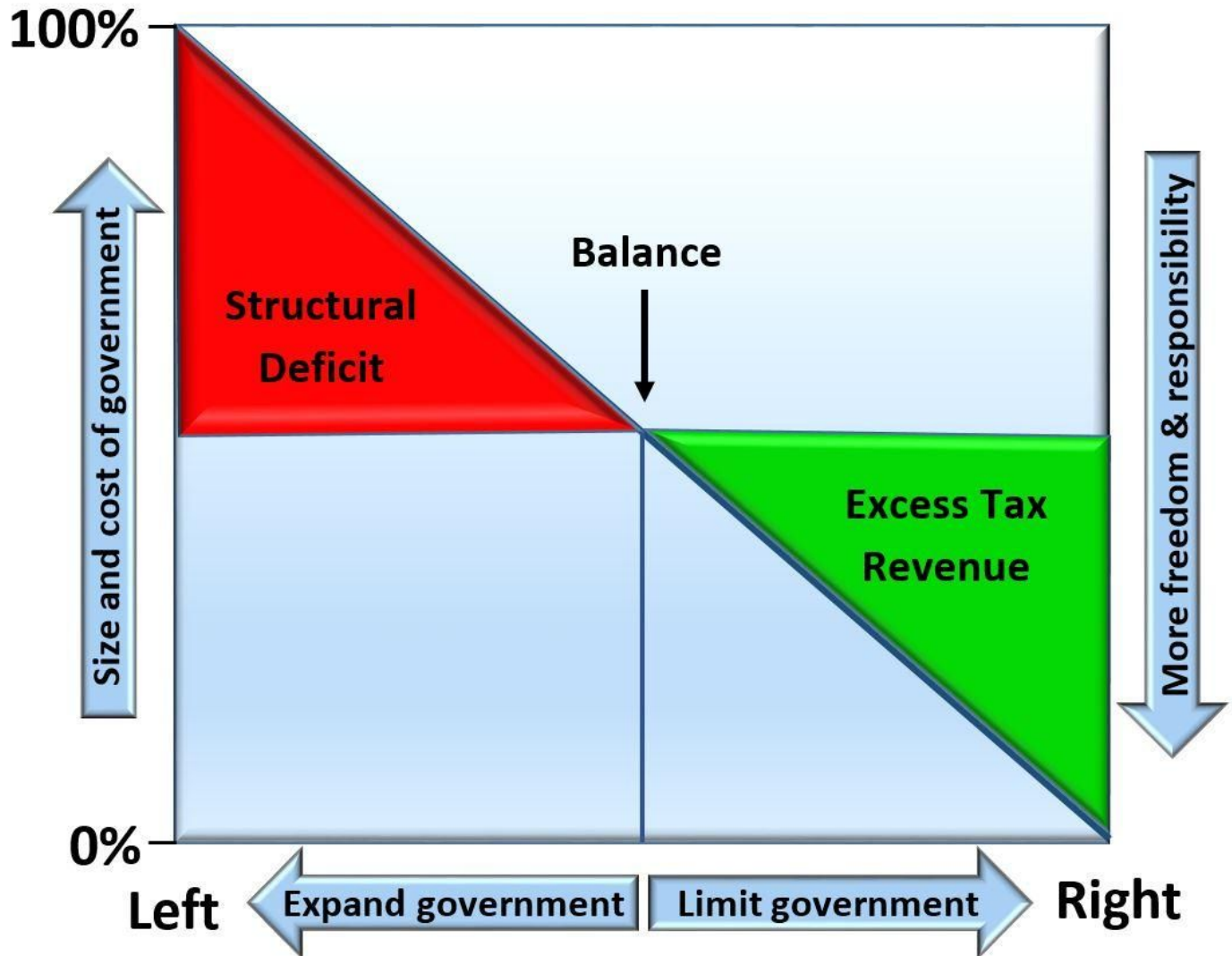


December 2016

COUNCIL MINORITY BUDGET AMENDMENTS

by Councilors Tom Mielke and David Madore

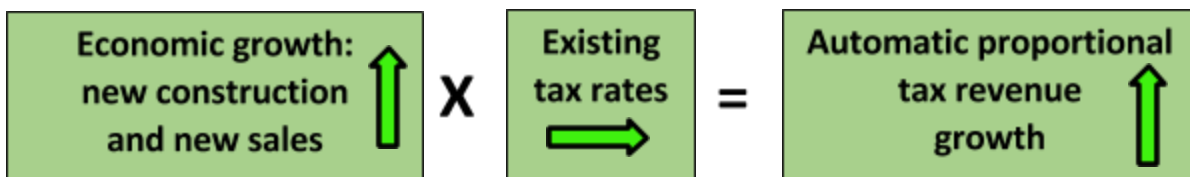
The source of a Structural Deficit



Two opposing philosophies – which direction to pull

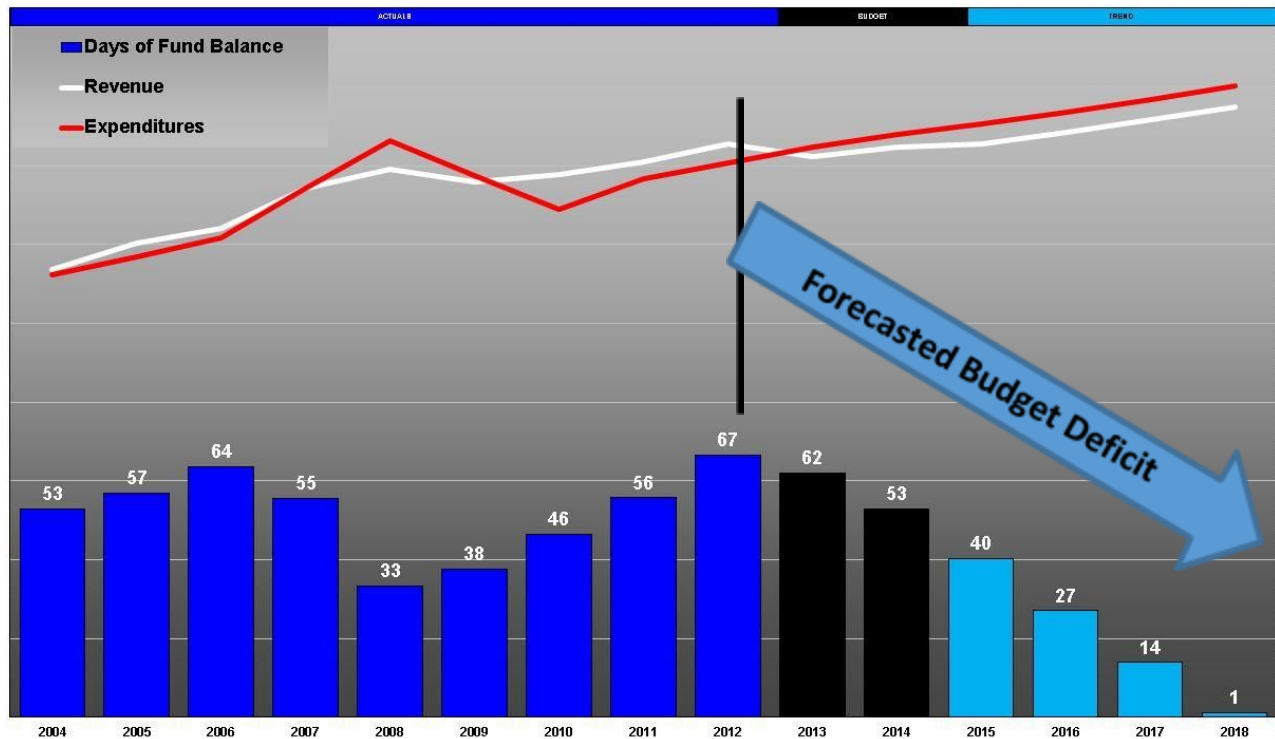


County tax revenue automatically increases in proportion to our local economy.



Two opposing philosophies: **Expand government** and **Limit government**

The **expand government agenda** argues for the size and cost growth of government to outpace the growth rate of our local economy and for government to take an ever larger proportion of the growing size of our economic pie. As the following graphic shows, the expand government agenda forecasts chronic budget deficits that call for ever higher tax rates as the only reasonable solutions.



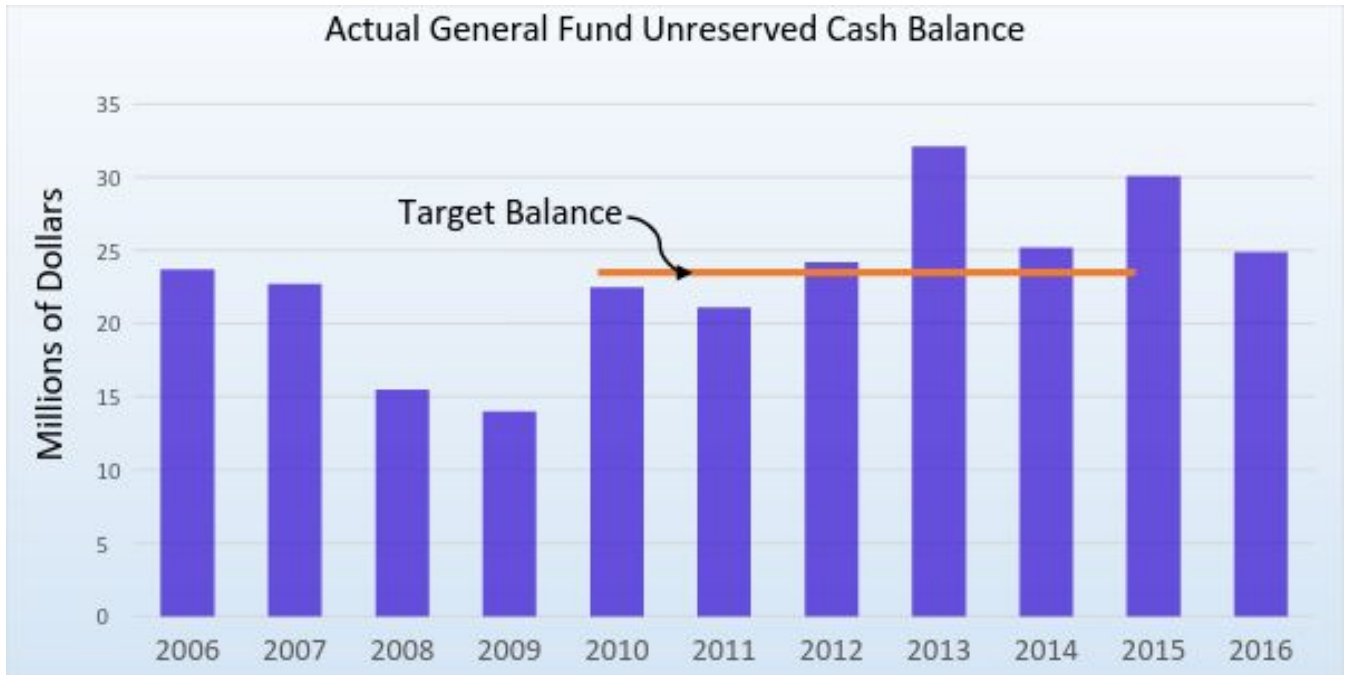
Source: Glenn Olson, Clark County Budget Director, Feb 25, 2013

The above graph created by Clark County's Budget office in 2013, warned of the inevitable structural deficit that would result if property tax rates were not raised each year to make up for rising costs. The General Fund cash balance would be depleted (arrow added). Additional examples of structural deficit based forecasts published by Clark County's budget office are shown in Appendix 1.

The limited government agenda argues that the size and cost growth rate of government should be proportional to the growth rate of our local economy and for government to spend only in proportion to the growing size of our economic pie. The limited government agenda constrains government spending to live within the means already automatically provided by a growing economic pie. Higher tax rates and new debt are to be avoided due to the disproportionately growing burden upon citizens and an increasing drag on our local economy.

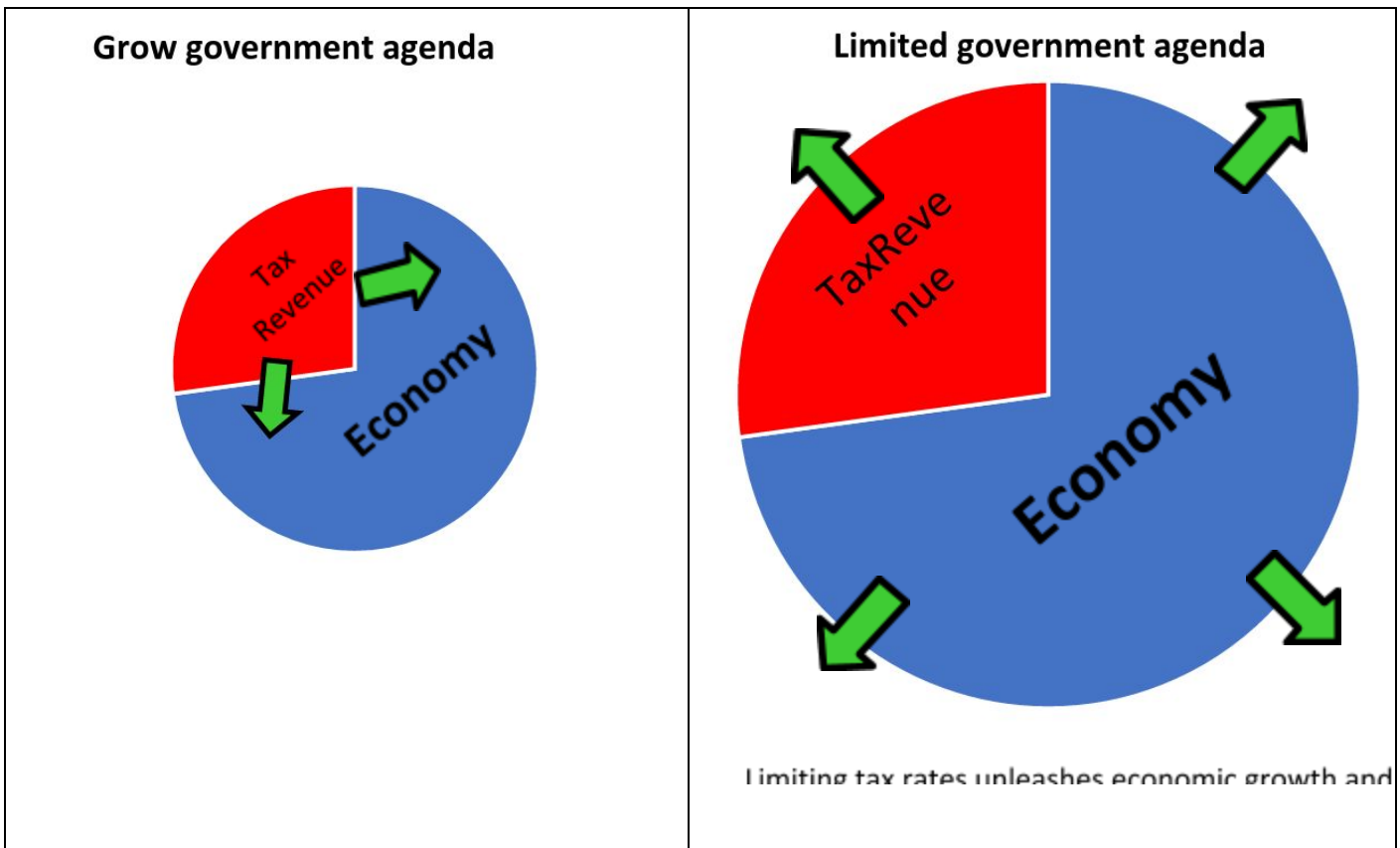
Rather than following the expand government agenda and continuing the pattern of raising tax rates, in 2013, the County Council implemented a limited government agenda that prioritized economic growth by waiving permitting fees for businesses to grow new jobs and create new wealth. Clark County transformed from lagging the rest of the state to become the leader yielding a windfall of new tax revenue without raising tax rates from 2013-2016. We were able to restore sufficient funding for our sheriff that provided for 8 new deputies and additional support staff. External lines of credit were eliminated, millions in inherited debt were paid off as we were able to self-fund from our internal cash reserves. Millions in capital improvements were paid for in cash, core services were improved, and our General Fund cash balance exceeded best practices.

The following graphic shows the actual General Fund unreserved cash balance that resulted after implementing the limited government agenda in 2013. Note that the goal is not to exceed our \$23 million best practice target, but to spend the excess for identified priorities.

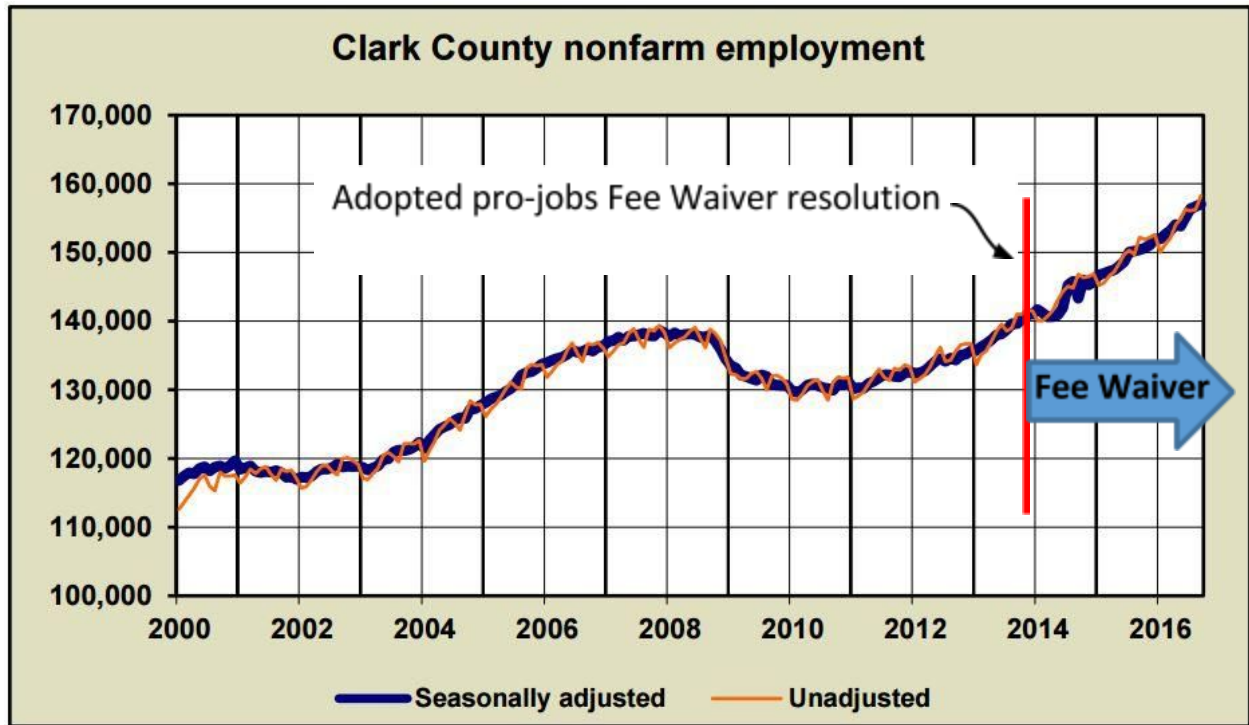


Data Source: Clark County Auditor's Office, December, 2016. See Appendix 3

Contrast of two opposing agendas



Since Clark County adopted a pro-business, limited government agenda in mid-2013, record business and jobs growth outpaced the rest of the state, creating significant new tax revenue without raising rates.



Source: Scott Bailey, Regional Economist, Washington Employment Security, October 2016 Report

The following graph shows that actual major tax revenue has already been growing at a rate of 5% per year since 2013 without any tax rate increase. Similar growth is expected for 2017-2018 due to businesses investing more than \$82 million to add hundreds of new cylinders to our local economic engine increasing local sales by more than \$600 million each year. (source: July 2016 Clark County Fee Waiver report.)

Major County Revenues by Year

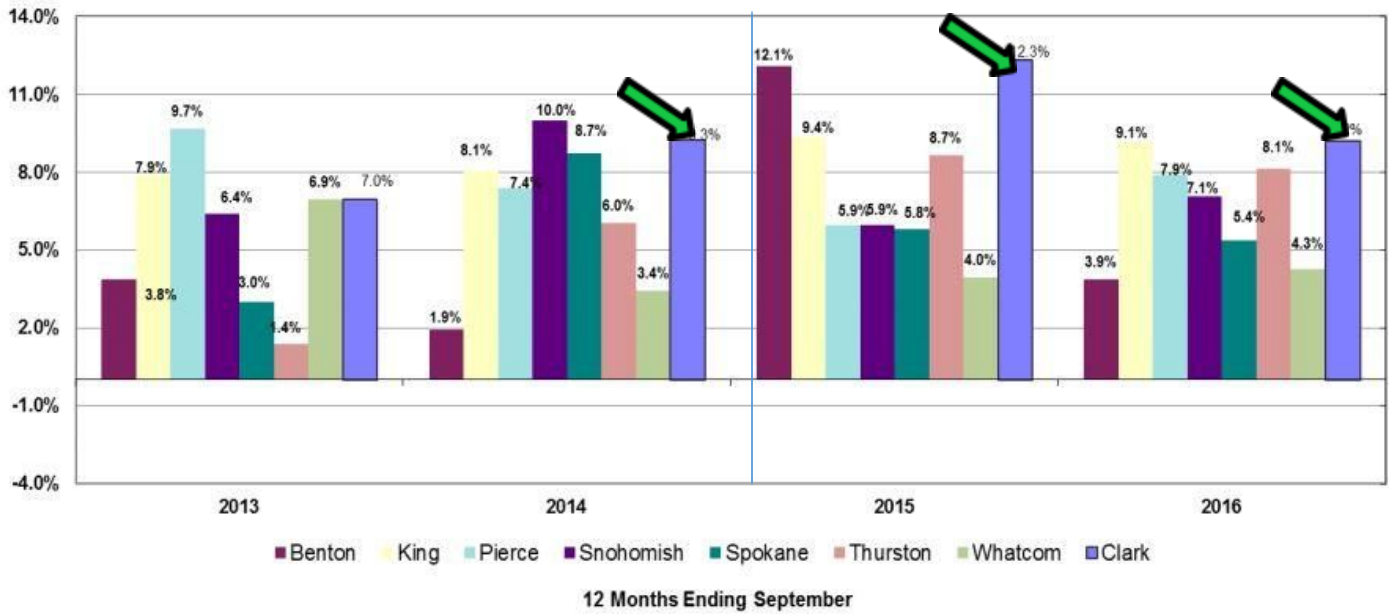


The following table shows the July 2016 report of businesses building more than 3.8 million square feet of job-creating facilities. These added cylinders in our economic engine improve our tax revenue forecast.

OVERALL SUMMARY-Fee Waivers Through July 2016 Qualifying Under Resolution 2013-06-06 ¹¹			
Projects	411	Proj. Inc. in Taxable Retail Sales (by Applicant)	\$ 321,544,293
Square Footage	3,825,130	2014-2019 Proj. Local Sales Tax Increase	\$ 19,292,658
Value of Construction	\$ 82,753,990	2014-2019 Proj. State Retail Sales Tax Inc.	\$ 104,501,895
Application Fees Waived This Month ^{1,3}	\$ 124,630	Projected Construction Sales Tax	\$ 2,643,219
Application Fees Waived To Date ^{1,3}	\$ 4,390,789	2014-2019 Proj. Co. Property Tax Increase	\$ 3,314,124
TIF Waived To Date	\$ 3,565,756	2014-2019 Proj. Co. Conservation Futures	\$ 51,263
Possible TIF to be Waived ^{4,5}	\$ 12,086,599	2014-2019 Proj. State Property Tax Increase	\$ 2,248,950
Projected New Employees (by Applicant)	3,614		
Proj. New Annual Sales ² (by Applicant)	\$ 606,429,144		

Source: <https://www.clark.wa.gov/sites/all/files/community-development/project-data/FeeWaiver-DEV-0716.pdf>

The following graph shows that Clark County retail sales growth has been leading all other counties in the state. Note that our Clark County newly adopted 20-year Comp Plan states that our population growth rate is 1.26% per year. Yet tax revenue has been growing at 5% per year. Raising property tax rates would place an even higher disproportionate increase upon citizens than already exists.



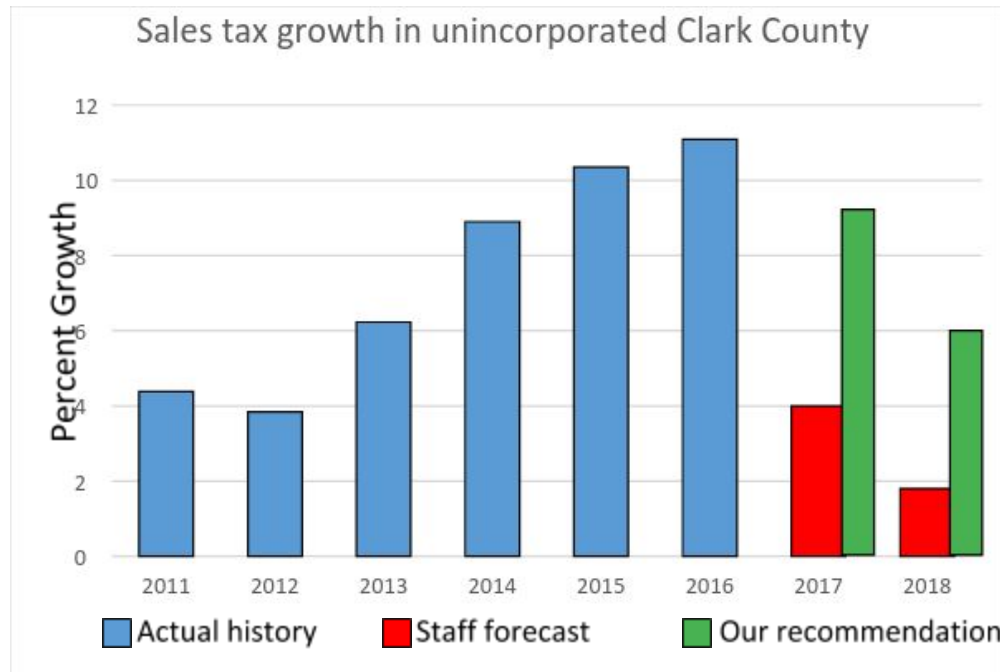
Source: https://www.clark.wa.gov/sites/all/files/auditor/financial-reports/13_Financial_Presentation_2016_Q3.pdf (Page 5)

We closed the 2015 year with a solid \$30.8 million General Fund cash balance as Clark County’s booming economy provides substantial new tax revenue to meet the growing needs of our county.

(documented by our Clark County Auditor’s office.)

See County Council Minority Budget Amendments Appendix 2.xlsx.

The following graph shows the actual sales tax growth rate in unincorporated Clark County by year and the rate chosen by the budget office (in red) and a more realistic rate that we propose (in green).



Source: Clark County Auditor's Office, 2 December 2016 (appendix 1 and 3)

The County Manager's budget uses the depressed growth rate (in red) that averages a very long period that includes the Great Depression years. Such a low rate would be appropriate for forecasting a long range future that includes another great depression. But the task is to estimate the most probable sales tax growth rate for the next 2 years. The average growth rate for the last 4 years is a more current and realistic indicator for the next 2 years

\$1.2 million has been deducted from both forecasts in 2018 due to a proposed annexation. The recommended correction increases the reasonably expected sales tax revenue by \$5.64 million.

Recognizing this added revenue would allow our budget to be balanced without raising property tax rates.

Since January, a new Council majority has allowed spending to outpace the growth rate of our booming economy. The budget now being proposed is impossible to balance without multiple property tax rate increases, substantial fee hikes, millions in new internal debt, and underfunding our Sheriff's Office by \$2.7 million.

We do not agree that county government spending should grow faster than the economy that supports it. It is our belief that the structural deficit created by such accelerated spending will do our community more harm than good. The salaries and benefits of county employees should not continue to grow faster than the salaries and benefits of the majority of taxpayers that pay for such disproportional raises.

The Council minority respectfully seeks to limit spending increases to a level proportional to the growth rate of our local economy. We should do so in a way that will satisfy our sheriff's needs, eliminate new internal debt, avoid property tax rate increases, and live within our means.

We strive to limit the tax burden weighing on the citizens that we are sworn to faithfully represent. We seek to retain our county's business-friendly environment and competitive advantage that encourages free enterprise to prosper and create new local wealth.

We begin with our own County Council department to lead by example in order to fairly ask other departments to live within our means as well. We do so by offering the following amendments:

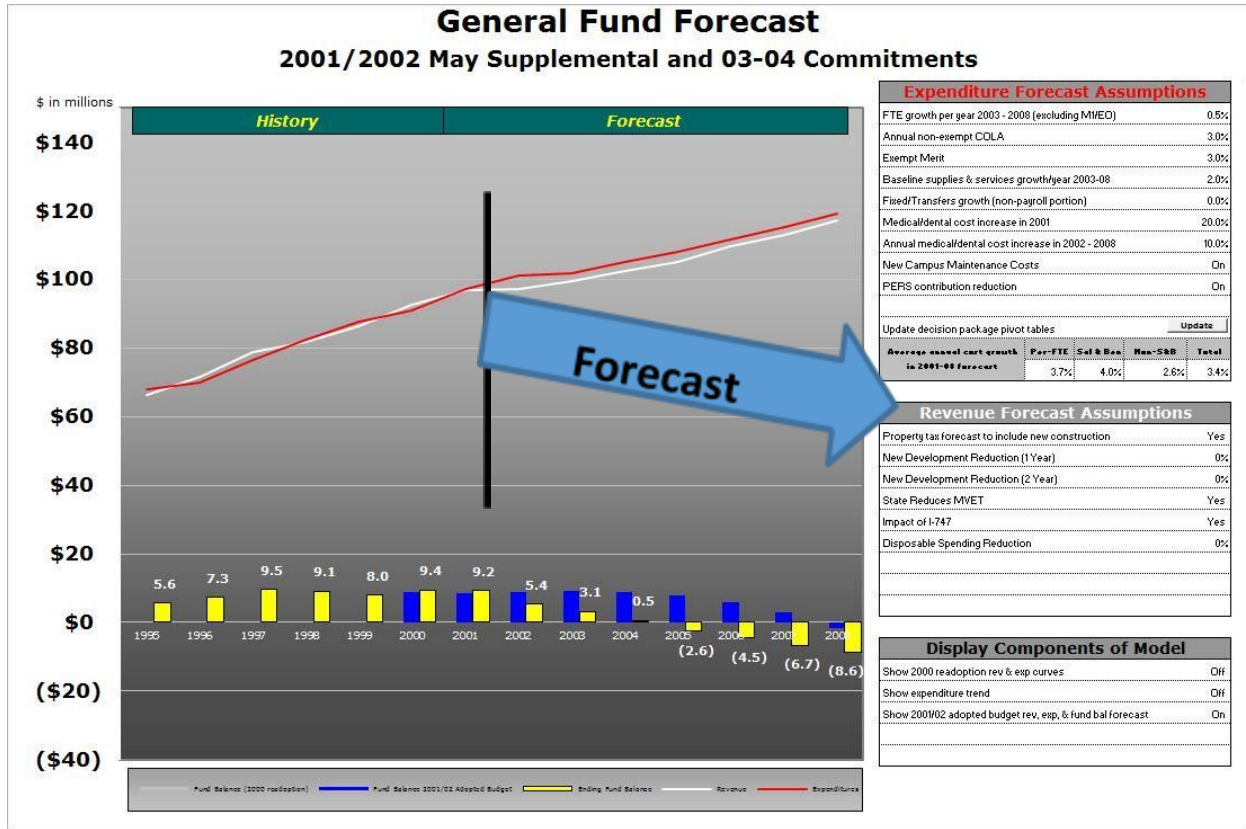
County Council Minority Amendments

Amendment	Impact/biennium
<p>I move to amend the recommended 2017-18 budget to eliminate the \$700 per month vehicle allowance given to each County Councilor and to reimbursement councilor mileage at the prevailing IRS rate to reduce General Fund costs estimated to be in the range of \$42,000 to \$78,000 per biennium ongoing.</p> <p>Calculations: Present cost = \$700/month * 5 councilors * 120 months/biennium = \$84,000 Estimated new cost (low) \$50/month * 5 councilors * 120 months/biennium = \$6,000 Estimated new cost (high) \$350/month * 5 councilors * 120 months/biennium = \$42,000 \$84,000 - \$6,000 = \$78,000 in savings (min), \$84,000 - \$42,000 = \$42,000 in savings (max)</p>	<p>Save from \$42,000 to \$78,000 ongoing</p>
<p>I move to amend the recommended 2017-18 budget to reduce General Fund costs by an ongoing \$813,216 per biennium, by eliminating the following 3 positions from the County Council Budget: Chief of Staff position BOC0013, Administrative Services Manager I BOC0016, and Program Manager II BOC0017.</p>	<p>Save \$813,216 ongoing</p>
<p>I move to amend the recommended 2017-18 budget to reduce General Fund costs by an ongoing \$131,935 by reducing Clark County's CREDC contribution from \$141,935 to \$10,000 for each biennium.</p>	<p>Save \$131,935 ongoing</p>
<p>I move to amend the recommended 2017-18 budget to reduce the Campus Development Fund 1027 cost for decision package GEN-06 from \$214,250 to \$22,250 to replace sound equipment in the county council hearing room and training room, one-time.</p>	<p>Save \$192,000 in the Campus Development Fund 1027</p>
<p>I move to amend the recommended 2017-18 budget to recognize a more realistic sales tax revenue growth rate of 9.14% for 2017 and 6.0% for 2018 to recognize an additional \$5.64 million in General Fund revenue ongoing.</p>	<p>\$5,640,000 ongoing</p>
<p>I move to amend the recommended 2017-18 budget to reduce General Fund costs for the Human Resources department by \$440,000 per biennium, ongoing.</p> <p>Justification: HR grew when all other departments were cut during the recession. New HR manager is capable of finding savings.</p>	<p>\$440,000 ongoing</p>
<p>I move to amend the recommended 2017-18 budget to reduce General Fund costs for the Community Planning department by approximately 10% to save \$401,000 per biennium, ongoing.</p> <p>Justification: The Comp Plan (due every 10 years) has been completed. The lesser workload does not require continuing the previous overhead.</p>	<p>\$401,000 ongoing</p>
<p>I move to amend the recommended 2017-18 budget to limit the growth of the Auditor's Office spending to approximately 10% higher than 2013-2014 budget to reduce General Fund costs by \$243,000 per biennium, ongoing. (Recommended Budget#140 page 9)</p> <p>Calculations: 2013-2014 budget was \$6.781 million. 10% growth = \$7.459 million. Original proposed 2017-2018 budget = \$7.702 million Savings = \$7.702 million - \$7.459 million = \$243,000</p>	<p>\$243,000 ongoing</p>
<p>I move to amend the recommended 2017-18 budget to limit the growth of the Treasurer's Office spending to approximately 10% higher than 2013-2014 budget to reduce General Fund costs by \$729,000 per biennium, ongoing. (Recommended Budget# 170 page 9)</p> <p>Calculations:</p>	<p>\$729,000 ongoing</p>

2013-2014 budget was \$4.643 million. 10% growth = \$5.107 million. Original proposed 2017-2018 budget = \$5.836 million Savings = \$5.836 million - \$5.107 million = \$729,000	
I move to amend the recommended 2017-18 budget to increase the Sheriff's Office funding by \$1,316,000 per biennium by deleting decision package BGT-13, thereby restoring this amount in the biennial budget General Fund, ongoing.	(\$1,316,000) ongoing
I move to amend the recommended 2017-18 budget to increase the Sheriff's Office funding by \$776,481 per biennium by modifying the fleet cost reduction decision package BGT-05, therefore restore this funding, ongoing.	(\$776,481) ongoing
I move to amend the recommended 2017-18 budget to increase the Sheriff's Office funding by \$51,553 per biennium ongoing thereby providing for eventual replacement of the SWAT and CSI vehicles	(\$51,553) ongoing
I move to amend the recommended 2017-18 budget to increase the Sheriff's Office funding by \$562,580 per biennium ongoing by modifying decision package BGT-14, therefore restore this funding, ongoing.	(\$562,580) ongoing
I move to amend the recommended 2017-18 budget by deleting package PWK-33 that would have reinstated parks parking fees extracting \$336,000 from citizens to use their parks, therefore delete this from the General Fund, ongoing.	(\$336,000) ongoing
I move to amend the recommended 2017-18 budget to delete package BGT-09 that would have raised the property tax rate for citizens to pay an additional \$650,000 in Metropolitan Parks District taxes.	(\$650,000) in MPD funds
I move to amend the recommended 2017-18 budget to delete the \$4 million portion of new 2015/2016 debt referenced in decision package BGT-06 because we already paid cash for those projects and they do not belong in the 2017/2018 budget.	(\$4,000,000)
I move to amend the recommended 2017-18 budget to update decision package BGT-06 to include selling the Dolle Building that would provide approximately \$2.5 million to \$3.7 million one-time to provide alternate funding for one-time expenses.	\$2,500,000 to \$3,700,000 one-time
I move to amend the recommended 2017-18 budget to update decision package BGT-06 to spend \$1.5 million in cash (no debt) on a new county phone system or other high priority one-time capital projects using REET funds.	(\$1,500,000) REET fund
(If the above motion does not pass) I move to amend the recommended 2017-18 budget to update decision package BGT-06 to spend \$1.5 million on a new county phone system by borrowing that amount from REET funds to be fully repaid within 7 years.	(\$1,500,000) plus interest
I move to amend the recommended 2017-18 budget to disallow any external debt for any decision package including decision package BGT-06.	\$0
I move to add a decision package to the 2017-18 budget to expeditiously pursue a plan to move the county-owned Tri-Mountain Golf Course into the Urban Growth Boundary in order to appreciate the value from approximately \$5 million to a range between \$15 million and \$30 million and then pursue a buyer in order to eliminate approximately \$971,000 in annual REET expenses that could be used for parks, eliminate approximately \$5.5 million in debt, and to provide one time capital needs including a new central precinct for the Sheriff's Office and/or new parks.	Approximately \$10,000,000 to \$25,000,000
I move to amend the recommended 2017-18 budget to increase the Sheriff's Office funding by \$200,000 in one-time General Fund seed money to plan for a new central precinct office as specified in SHR-01. (Budget Submissions page 342)	(\$200,000) one-time
I move to amend the recommended 2017-18 budget to increase expenses for the biennium, one-time, by \$118,468 in the General Fund, as well as one-time, by \$118,468 in the Mental Health Sales Tax Fund 1033, in order to provide \$236,936 of support to the Veterans Assistance Program. (Package COS-01 of Budget Submissions page 199)	(\$118,468) one-time
I move to amend the recommended 2017-18 budget to delete package BGT-02 that would have raised the property tax rate for taxpayers to pay an additional \$1,806,467 into the General Fund.	(\$1,806,467)

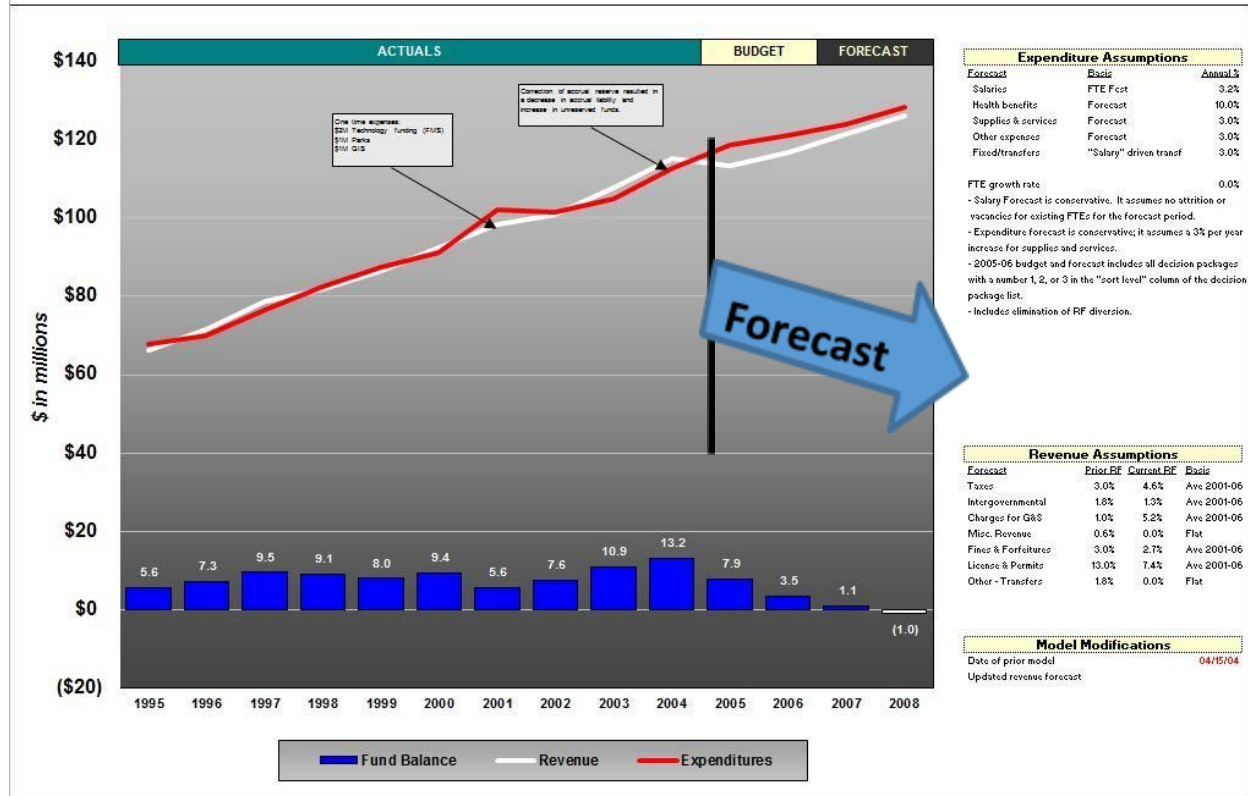
Appendix 1 – Reference documentation

The following Structural Deficit forecasts were published by the Clark County budget office in prior years to advocate for raising property tax rates. (arrows added)



General Fund Forecast

2005/06 Budget Development - BOCC Work Session 10/13/04



Expenditure Assumptions

Forecast	Basic	Annual %
Salaries	FTE Fcost	3.0%
Health benefits	Forecast	10.0%
Supplies & services	Forecast	3.0%
Other expenses	Forecast	3.0%
Fixed/transfers	"Salary" driven transf	3.0%

FTE growth rate: 0.0%

- Salary Forecast is conservative. It assumes no attrition or vacancies for existing FTEs for the forecast period.
- Expenditure forecast is conservative; it assumes a 3% per year increase for supplies and services.
- 2005-06 budget and forecast includes all decision packages with a number 1, 2, or 3 in the "sort level" column of the decision package list.
- Includes elimination of RF diversion.

Revenue Assumptions

Forecast	Prior RF	Current RF	Basic
Taxes	3.0%	4.6%	Ave 2001-06
Intergovernmental	1.8%	1.3%	Ave 2001-06
Charges for G&S	1.0%	5.2%	Ave 2001-06
Misc. Revenue	0.6%	0.0%	Flat
Fines & Forfeitures	3.0%	2.7%	Ave 2001-06
License & Permits	13.0%	7.4%	Ave 2001-06
Other - Transfers	1.8%	0.0%	Flat

Model Modifications

Date of prior model: 04/15/04
Updated revenue forecast

Sales Tax growth source notes

- Current forecast assumes 4 percent annual growth in 2017 and 2018; annexation impact will start in 2018 and county will lose taxable retail sales to Vancouver.

Source: Budget Office PowerPoint Presentation, excerpt from slide 6, December 6, 2016

The following calculations for years 2011 through 2015 divide the four actual growth percent quarters by 4 to arrive at the average growth for each year. The 2016 growth rate was calculated by dividing the three actual growth percent quarters by 3 since the 4th quarter actual rate is not yet known.

Actual sales tax growth rate for unincorporated Clark County by year:

$$\begin{aligned}
 &=(3.63+2.66+4.38+5)/4 = 4.38\% \text{ in 2011} \\
 &=(6.21+4.03+2.65+2.46)/4 = 3.84\% \text{ in 2012} \\
 &=(2.25+5.92+8.60+8.15)/4 = 6.23\% \text{ in 2013} \\
 &=(9.44+8.65+7.43+10.07)/4 = 8.90\% \text{ in 2014} \\
 &=(8.46+9.76+12.23+10.96)/4 = 10.35\% \text{ in 2015} \\
 &=(12.51+11.32+9.44)/3 = 11.09\% \text{ in 2016}
 \end{aligned}$$

Source: Clark County Auditor, 2 December 2016 saved as: County Council Minority Budget Amendments Appendix 4.xlsx

The budget office included the great recession period to arrive at a much lower average growth rate of 4% and forecasted that depressed growth rate for the next 2 years. We believe that is not reasonable as our community continues to lead the state in economic growth and our national economy is forecasted to grow at twice the rate predicted before the election of a new president.

The budget office then subtracted \$1.2 million from 2018 and a two-year average growth of 2.9% which translates to a 1.8% growth rate for 2018 as follows:

$$(4\% + X) / 2 = 2.9\%$$

Solving for X yields 1.8% for 2018.

Such a long term average would be appropriate for very long average forecasts that includes another great depression. But the task is to estimate the realistic growth for the next 2 years. The average of the growth rate for the last 4 years is a more current and realistic indicator for the next 2 years as follows:

$$(6.23\% + 8.9\% + 10.35\% + 11.09\%) / 4 = 9.14\%$$

Use this rate to calculate the sales tax revenue in dollars starting with the \$35 million 2016 dollars:

$$\$35 \text{ million} * 1.0914 = \$38.2 \text{ million in 2017}$$

$$\$38.2 \text{ million} * 1.0914 = \$41.7 \text{ million in 2018}$$

Subtract \$1.2 million for the annexation losses

$$\$38.2 \text{ million} + \$41.7 \text{ million} - \$1.2 \text{ million} = \$78.7 \text{ million}$$

Calculate the equivalent 2018 growth rate: $(41.7-1.2)/38.2 = 6.0\%$

Calculate the lower amount using the budget office's depressed rates:

$$\$35 \text{ million} * 1.04 = \$36.4 \text{ million in 2017}$$

$$\$36.4 \text{ million} * 1.04 = \$37.86 \text{ million in 2018}$$

Subtract \$1.2 million for the annexation losses

$$\$36.4 \text{ million} + \$37.86 \text{ million} - \$1.2 \text{ million} = \$73.06 \text{ million}$$

Calculate the increase in revenue using the more realistic forecast as follows:

$$\$78.7 \text{ million} - \$73.06 \text{ million} = \$5.64 \text{ million}$$