



**OCTOBER 12, 2007 AGENDA
 COUNTY FISCAL HEALTH AND GOVERNANCE ALTERNATIVES
 ADVISORY COMMITTEE**

Location: Department of Transportation Conference Center, Bullfrog Road Maintenance Campus, Exit 80 on I-90 (see next page for driving directions)

Time	Agenda Item/Material	Presenter	Proposed Actions
9 AM	1 Open Meeting List of Members – on Web site	Facilitator or Chair	
9:05	2 Approval of September 26 Meeting Notes Draft Meeting Notes – agenda packet (AP) pg. 3	Facilitator or Chair	Approval of Meeting Notes
9:15	3 Committee Organizational Issues		
	a Temporary Chair	Facilitator	Elect a temporary Chair
	b Coming Attractions -- Tentative Topics for October 19 Meeting AP pg. 8	Anne Pflug, Legislative Project Manager	Discussion if desired
	c Written comments from absent members	Marsha Fraser, Facilitator	Discussion
	4 Study Components for Committee Feedback		
9:30	a Background Component of Study AP pg. 9	Carol Tobin, MRSC	Presentation and Feedback from the Advisory Committee
10:00	b Case Studies Component of Study AP pg. 12	Pia Franzese, Berk and Associates	Presentation and Feedback from the Advisory Committee
10:30	BREAK		
	Case Studies Component of Study, continued		
11:00	c Governance Alternatives Evaluation AP pg. 13	Anne Pflug, Legislative Project Manager	Presentation and Feedback from the Advisory Committee
NOON	LUNCH (during discussion)		
12:15	d Study Recommendations AP pg. 24	Anne Pflug, Legislative Project Manager	Presentation and Preliminary Feedback from the Advisory Committee
1:00	e Survey Component of the Study AP page 32	Kent Miller, Survey Project Manager, WSU	Presentation and Feedback from Advisory Committee
2 PM	5 Adjourn		

All documents are posted at <http://www.cted.wa.gov/site/1044/default.aspx>

DIRECTIONS TO MEETING SITE
Department of Transportation Conference Center, Bullfrog Road
Maintenance Campus

Traveling east on I-90 from Issaquah/North Bend: Go over Snoqualmie Pass on I-90, past Easton (Exit 70), continue east until you get to Exit 80 (Roslyn). Take the exit ramp and turn right at the stop sign on to Bullfrog Road. The DOT maintenance facility is on your immediate left. Turn into the entrance road. The Conference Center is in a converted house close to the entrance. The meeting is in the back building behind the “house”.

Traveling west on I-90 from Ellensburg/Cle Elum: Go past Cle Elum (Exit 85 and 84), continue west until you get to Exit 80 (Roslyn). Take the exit ramp and turn left at the stop sign on to Bullfrog Road and go over the top of the freeway. The DOT maintenance facility is on your immediate left after you go over the freeway bridge. Turn into the entrance road. The Conference Center is in a converted house close to the entrance. The meeting is in the back building behind the “house”.

County Financial Health and Governance Alternatives Study Advisory Committee

Agenda Topic: Approval of September 26, 2007 Meeting Notes	
Agenda Item: 2	Staff Contact: CTED Project Manager -- Anne Pflug annep@cted.wa.gov 509-925-2608
Study Question(s) Being Addressed: NA	Attachments: Meeting Notes

Requested Action:

Approval of Meeting Notes with any desired changes.

Background:

NA

Discussion:

NA

Recommendations:

Approval of meeting notes for September 26, 2007

County Financial Health and Governance Alternatives Study
Advisory Committee Meeting Notes
County Association Building, Olympia
September 26, 2007

Committee members attending the meeting: Lewis County Treasurer Rose Bowman (Chair), Snohomish County Sheriff Rick Bart, Cowlitz County Public Works Director Ken Stone, King County Office of Management and Budget Director Bob Cowan, Ferry County Commissioner Mike Blankenship, Island County Auditor Suzanne Sinclair, Chelan County Commissioner Buell Hawkins, Skamania County Prosecuting Attorney Peter Banks, and Walla Walla County Treasurer Gordon Heimbigner, Clark County Administrator Bill Barron, Tri-City Development Council CEO/President Carl Adrian, Professor Terry Novak,

Others attending: Scott Merriman, Brad Banks, Sophia Byrd-McSherry, and Todd Mielke.

Facilitator: Marsha Fraser

CTED Staff: Anne Pflug and Darleen Muhly

Welcome and introductions

Chair Rose Bowman welcomed the group.

Approval of September 7 Meeting Notes

The following corrections were made to the minutes:

- Committee members Peter Banks and Gordon Heimbigner were not present.

Sheriff Rick Bart moved to approve the minutes as amended. Director Ken Stone seconded the motion. The motion was approved.

Committee Organizational Issues

Anne Pflug reviewed with the committee what they would be discussing at the next two meetings.

October 12 Meeting:

- Presentations:
 - Draft Background Document (MRSC)
 - Survey Results (WSU)
 - Draft Case Studies (Berk and Associates)
- Discussion and Consensus:
 - Feedback on Presentations
 - Governance Evaluation Feedback
 - Preliminary List of Recommendations

October 19 Meeting:

- Discussion and Consensus:–
 - Feedback topics unable to complete on October 12.
 - Recommendations

It was asked if time would be allocated to discuss specific recommendations brought forth by this committee. Yes, on the on 12th and 19th.

Scott Merriman cautioned that rather than asking for more money, the committee will have more credibility if it looks at what revenue streams work, what revenue streams don't and the legislature can change. Anne has a list of what authorities counties have.

Fiscal Indicators

Based on consensus from last meeting the four the committee chose were:

- Restricted revenue
- Revenue elasticity
- Service demand
- Tax base

Anne noted that by applying those four only and using the test of two or greater, Chelan falls into blue, and Clark, Kitsap and San Juan fall out of the blue. Anne believes the reason why the three counties drop out with these criteria is because these counties are rapidly growing and stress experienced by growth is not included.

The committee discussed the map and how and where it should appear in the report. It was noted that these indicators are all after the fact. They don't show what counties have done to get to that point. Map has to have narrative that says these indicators are useful but they should not be relied upon solely. The map is less relevant than the factors distressing counties as a whole. What stands out is that counties most distressed are not growing. Reliance on property tax and service delivery should be focused on rather than map. Realistically most stressed counties are rural counties without a retail base and aren't growing but still have to provide services of other counties. It was also suggested that the map be shades of blue, not blue and gray with point value reflecting the degree of blue.

The committee agreed that there should be one map with shades of blue and four indicators in back of the report as an appendix.

Short List of Governance Alternatives

Anne asked the committee for feedback regarding presenting the six governance alternatives the committee decided to focus on at the last meeting.

The committee agreed to the following format for the short list of alternatives:

Alternative #1: - Strengthen Powers of the Commission...
Expanded definition

Description of alternative relative to authority, elected department heads, and appointed department heads

	Pros	Cons
1. Efficiency and Effectiveness		
2. Flexibility		
3. Fiscal		
4. Service Delivery		
5. Internal Control (Checks/Balances)		
6. Responsiveness to public		

Commissioner Buell Hawkins passed out a handout showing funding to local health jurisdictions from E2SSB5930. This is one example of how the state creates a disincentive for regionalization. Anne asked committee members to send her any additional examples.

System Mapping Component

Anne asked for feedback on the system mapping component.

Some legislators think consolidation of some county leads would solve county fiscal crisis. Another theme, before giving more money some legislators want to see more efficiency and effectiveness that some see being achieved by consolidation of county heads. For context, most major county studies nationally have used efficiency and effectiveness and responsibilities and responsiveness.

The committee agreed to the following format.

Make a recommendation
 Basis for recommendation
 Efficiency and Effectiveness
 Responsibilities and Responsiveness

This whole study was created because the Legislature feels that they have done for us but it is not working and we keep coming back and asking for more money. Their perception is our reality. In essence, the legislature is our boss and we have to deal with their perceptions. This question implies that counties aren't effective and efficient. The legislature thinks that changing the structure will make counties more efficient. Some legislators don't see that in small counties officials are also workers. Some legislators do come from framework of what business uses to be more efficient. Legislature is the policy body and counties are the implementing body. In a sense, they are our boss. How can counties build a more trusting relationship with the Legislature? It is about enhancing our county-state relationship. One thing business does is to forego serving areas that do not have a cost benefit. Counties cannot do that. Give the legislature what they want to hear but also give them the facts of what they need to hear.

The committee talked about proposing a cooperative project with the state. Anne asked the committee what projects would be good. If it is just county and legislative staff working

together, that won't get it done. It needs to be legislators and county officials. Suggestions for joint projects included:

- Moving all counties to annual assessing
- Public Health
- Common software for state and counties
- Criminal justice

Concerns were raised regarding the technology suggestion because of the state's track record in the past with the courts. Another challenge is that some counties states have already invested in technology and some are ready to invest so counties' interest in the project would be mixed.

System Mapping

Brad Banks presented the mapping component. This component looks at systems at a high level versus how those systems are structured in other states. The six other states looked at were Arizona, Colorado, Indiana, Montana, MN, and Wisconsin. The selection was based on population, urban versus rural makeup and county service portfolio. In all of these states counties are the administrative arm of the state. Washington is last in percentage county pays versus state.

County Official Survey

Anne noted that the preliminary report only includes the Web responses. The complete responses will be presented at next meeting.

Next meeting

The next meeting is October 12, 2007, from 9am to 2pm at the Department of Transportation Bullfrog Road Maintenance Facility. The actual building where the meeting will be held looks like a house. Specific directions will be included in the agenda packet.

Meeting adjourned at approximately 2:00pm.

County Financial Health and Governance Alternatives Study Advisory Committee

Agenda Topic: Coming Attractions	
Agenda Item: 3(a)	Staff Contact: CTED Project Manager -- Anne Pflug annep@cted.wa.gov 509-925-2608
Study Question(s) Being Addressed: All	

Requested Action:

For Committee's information, no action required.

Background:

NA

Discussion:

We are at the midpoint in the Legislative Study process. In order to prepare the group for up-coming meetings the following topics are currently scheduled for discussion at each meeting.

October 19

Discussion and Consensus –

Feedback topics we were unable to complete on October 12.

Recommendations

Recommendation:

FYI

County Financial Health and Governance Alternatives Study Advisory Committee

Agenda Topic: Background Component of the Report	
Agenda Item: 4(a)	Staff Contact: CTED Project Manager -- Anne Pflug annep@cted.wa.gov 509-925-2608
Study Question(s) Being Addressed: All	Reference Documents: <ul style="list-style-type: none"> • Draft Background Component is posted on web site http://www.cted.wa.gov/site/1044/default.aspx • Attachment A: Table of Contents of Draft Legislative Report

Requested Action:

The purpose of this agenda topic is to present the draft of the Background component of the Legislative Report and to get any desired feedback from the Advisory Committee.

Background:

Municipal Research and Services Center was contracted to do the background component of the Legislative Report by updating the 1988 Local Governance Commission History of Local Government. The principle author of the update, Carol Tobin, will be present to provide a presentation to the Advisory Committee on the draft report. The draft report is posted on the study web site.

Discussion:

This component of the Legislative Study is intended to provide background for the Legislature on County Government. This component will be one of the report appendices with a short summary in the body of the main report. See Attachment A for a “sketch” of the main report topics and a list of the appendices.

Recommendations:

Provide desired feedback.

Attachment A
**County Financial Health and Governance Alternatives:
A Study Requested by the Washington Legislature**

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County Financial Health and Governance Alternatives Study Advisory Committee

Agenda Topic: Case Study Component	
Agenda Item: 4(b)	Staff Contact: CTED Project Manager -- Anne Pflug annep@cted.wa.gov 509-925-2608
Study Question(s) Being Addressed: 3) What potential efficiencies, cost savings and/or improved level of service opportunities may be gained “by authorizing non-charter counties greater flexibility in altering their forms of governance, including consolidating or merging constitutional or statutory functions or structures” within or among counties?	Reference Documents: <ul style="list-style-type: none"> • Draft Case Study Component posted on web site http://www.cted.wa.gov/site/1044/default.aspx

Requested Action:

The purpose of this agenda topic is to present the draft Case Study component of the Legislative Report and to get any desired feedback from the Advisory Committee.

Background:

Berk and Associates was contracted to do the case study component of the Legislative Report. The principle author of the case studies is Pia Franzese, will be present to provide a presentation to the Advisory Committee on the draft report. The draft report is posted on the study web site.

Discussion:

This component of the Legislative Study is intended to answer questions about the financial impact of governance alternatives that involve combining elected department heads and to look at changes that could be made to improve intergovernmental service delivery through interlocal agreements. This component will be one of the report appendices with a short summary in the body of the main report.

Recommendations:

Provide desired feedback.

County Financial Health and Governance Alternatives Study Advisory Committee

Agenda Topic: Governance Alternatives Evaluation	
Agenda Item: 4(c)	Staff Contact: CTED Project Manager -- Anne Pflug annep@cted.wa.gov 509-925-2608
Study Question(s) Being Addressed: <ul style="list-style-type: none"> ▪ What potential efficiencies, cost savings and/or improved level of service opportunities may be gained “by authorizing non-charter counties greater flexibility in altering their forms of governance, including consolidating or merging constitutional or statutory functions or structures” within or among counties? ▪ What changes to constitutional or statutory law would provide counties with the legal authority necessary to implement changes in governmental structures or functions needed to optimize efficiency and/or improve service? 	Attachments: Attachment A – Six Governance Alternatives Evaluation Attachment B – Efficiency and Effectiveness Draft Attachment C – Memo on Views from Other State County Associations

Requested Action:

The purpose of this agenda topic is to present the draft of the Governance Alternatives Evaluation for the Legislative Report and to get any desired feedback from the Advisory Committee.

Background:

At your September 7 and 26 meetings you discussed the evaluation questions and format for the evaluation of the six remaining governance alternatives. Those alternatives are:

Strengthen the existing Commission form of government

Alternative 1 – Strengthen the executive powers of the Commission by specifying additional executive functions, including authorizing multi-county or regional service delivery by general law.

Combined Alternative 3 and 4 – Establish the Commission/Appointed Manager or Administrator form by statute.

Legislative reform of county structure by statute

Combined Alternative 6 and 7 – Reduce the number of elected department heads in non-charter counties by classifying counties by population and combine duties of two or more officers, including a five member County Commission for larger counties.

Alternative 8 – Assign county service delivery or support service functions to multi-county regions or districts (following the Intermediate Service District model in the K-12 system).

Constitutional Amendments

Combined Alternative 12 and 13 -- Add a constitutional provision to create a voter approved Charter County or amend an existing charter through County Commission or voter petition initiated appointment of a “County Governance Commission” that would propose a charter or charter amendment to be placed before the people at an election. This provision could be universally available as an alternative to the freeholder charter county process or available only for a Charter or Charter amendment that modified county government where the modifications are not a part of the Washington constitution.

Combined Alternatives 15, 16 and 17 -- Add a constitutional provision to allow non-charter counties to convert to a "Model Charter County" by voter approval. This option would be an alternative to the existing free-holder charter county process. The model charter would provide for a part-time five member Commission with either an elected Executive or an appointed County Manager as determined by the Board of Commissioners prior to placing the issue on the ballot. The Commissioners may choose to hold an advisory ballot prior to selecting which of the two Model Charters to place before the voters for adoption.

Discussion:

Governance Alternatives Evaluation

Attachment A contains the governance alternatives evaluation using the evaluation questions and format that the Advisory Committee discussed on September 26. Staff will present the alternatives evaluation at the meeting and ask for feedback from the Committee. Recommendations related to governance alternatives are included under the Recommendations agenda item.

Draft Recommendations Related to Governance

The Advisory Committee asked staff to present draft recommendations as a framework for discussion. The draft recommendations related to governance come from the Governance Alternatives evaluation and the discussion of Efficiency and Effectiveness (see latest draft attached as Attachment B).

"The Legislature has requested that specific "governance alternatives" be proposed. The study has resulted in identifying a number of alternatives. There are alternatives that would improve efficiency and effectiveness using the current governance model and there are alternatives that would move toward transforming more counties to different forms. Recommendations one and two below may be implemented within the current governance framework. Recommendation three moves toward transforming county governance.

1. *The Legislature should consider enacting statutes that strength the existing Commission form of county government by:
 - a. *Expanding the executive powers of the Board of County Commissioners to initiate and conduct processes, programs or studies that improve efficiency and effectiveness including the authority by general law to enter into joint service agreements among counties for services funded by special revenue funds or requiring commissioning of enforcement officers.*
 - b. *Providing the specific statutory authority for the Board of Commissioners to appoint a county administrator or manager.**
2. *The Legislature should consider enacting a statute that would fund a ten year effort to re-design key county/state business processes. Governance of this effort should involve both Legislators and county officials to oversee the selection, funding and implementation of business process re-design projects within public service systems operated jointly by the state and counties. The Legislature would authorize recommendations being made regarding changes to state statute necessary to improve efficiency and effectiveness as a part of each project.*
3. *The Legislature should consider a constitutional amendment that would create an alternative to the current charter county provisions. The amendment would allow a county to place the question of creating a "Model Charter County" on the ballot for voter approval or rejection. The measure would be placed on the ballot by the county legislative body or by voter petition. The legislature would enact the "Model Charter" by statute in two alternative forms – the County Council/Manager form or the County Council/Elected Executive form."*

Recommendations:

Provide desired feedback.

Attachment A

Will be E-mailed When Complete

ATTACHMENT B
Comment Draft
Improving County Efficiency and Effectiveness

Efficiency and Effectiveness in Government

Government is in the unique position of being transparently accountable to the general public for the efficient and effective expenditure of taxes and fees collected from its residents and businesses to produce desired value in public services, regulation or infrastructure. In recent years, government has been motivated to focus on improving outcomes to the public of its many services and programs through changes in its methods. Government, like business, has used a number of techniques to improve outcomes including new technology. Unlike business, government, and particularly county government, does not always control all the elements of the processes that are used to conduct its “business” or produce its “product”. Business has been able to capitalize on its greater control of its own business processes or “means of production” to reduce unit costs and improve quality and value for the consumer.

All, or a large portion, of a county government’s business processes, on the other hand, may be constrained by law or regulation. This constraint limits the extent of ‘business process improvement’ that a county can undertake by itself to become more effective and efficient in its operations. The state, or sometimes federal government, would have to eliminate or change existing “direction” provided in statute or regulation for a given business process to be changed. Examples of county businesses processes include:

- Property and real estate tax collection processes
- County budget and financial management processes
- Land use, building and environmental health permit processes
- Contracting and purchasing processes
- Employee recruitment process
- Criminal justice process for adults and juveniles
- Voter registration and elections process
- Licensing process
- Capital project construction process
- Records management process
- Law enforcement response processes
- Human service intake, referral and service delivery or treatment processes
- Waste management treatment processes
- Regulatory and enforcement processes

In looking at what can be done to improve county efficiency and effectiveness, it is important to evaluate what factors need to be present in order for an organization to successfully implement improvement. In complex service delivery systems or organizations, whether in business or government, a number of conditions have been found to be important to success in maximizing efficiency and effectiveness through changes in operations. The most common are:

- Sustained and supportive leadership

- Focus on mission and identified desired outcomes
- Application of business process redesign principles and practices, including best industry practices and benchmarking
- Application of technology tools that match the organization's business requirements
- Focusing on opportunities to add value or improve outcomes linked to effectiveness
- Sustained cooperative participation of parties key to implementing change
- Access to needed specialized skills or technology
- Identifying and taking advantage of scale or volume to reduce costs
- Creating successful alliances with others that add value in order to improve outcomes
- Access to data that feeds continued learning that can translate to on-going business process improvement or adjustment
- Effective collaboration with those outside and within an organization to resolve issues and facilitate success in improving system outcomes

Keeping in mind these factors, let us now look at what has been done in Washington counties to date and what opportunities exist for further work on efficiency and effectiveness.

Efficiency and Effectiveness in Washington County service delivery systems

As an “agent of the state” counties in Washington operate a portion of several major public service systems. The four largest are:

- Criminal Justice
- Health and Human Services
- General Government and
- Public Infrastructure including transportation and environmental quality

Each of these systems has many components and business processes that are funded and governed in different ways. In order to be effective, each system has to use a common strategy: the interdependent “partners” in the system all have to carry out their individual role and business process(es) in a way that supports the desired outcome(s) for the system's clients or customers. The quality and cost of the outcome is determined by all of the partners together not any individual. Counties and the state are each “partners” in the four major service systems. Counties and the state may be joined by other “partners” such as the federal government, other local governments or private sector organizations. Many believe that the more partners and separate business processes in a service delivery system the greater the chance that adaptation to best practices is limited.

For example, the criminal justice system (see exhibit X on page Y) contains components that are operated by the state and components that are operated by the federal government, counties and cities. The state, counties and cities are interdependent partners because they make decisions or operate parts of the system that impact the other (eg criminal sentencing guidelines, courts, prosecutors and treatment programs). The quality of the outcomes for clients (the general perception of public safety, effects on victims and

the effects on offenders) is determined by the partners work together and the conditions that are available to the partners to be successful (see discussion on [page Q](#)).

Counties have implemented various means of improving service efficiency and effectiveness over time just as business has done. The table below summarizes the work of counties in this area using commonly identified private sector effectiveness/efficiency strategies.

**Washington County
Historical Efficiency and Effectiveness Improvement Strategies**

Private Sector Strategy	Comparable Strategy Washington Counties	Extent of Implementation
Downsize and focus on core operations	Refocused or eliminated operation of discretionary public services	Statewide over the last decade counties have reduced per capita expenditures on parks and recreation, and general fund capital investment while increasing per capita expenditures significantly for criminal justice and human services including health. (1)
Minimize the cost of overhead	Centralize and automate internal support operations	90% of counties have centralized services in place for payroll, benefits programs and risk management. 70% of counties have centralized employee training, information technology, personnel and budget programs. 40% to 60% of counties have centralized records management, purchasing and financial services.(2)
Redesign core business processes	Change business processes as new software is implemented	Most core business processes include some form of automation in all counties. Most automation was installed or developed in the late 1970's, 1980's or early 1990's and lacks modern features including web application capacity

		and interoperability. Many systems automated pre-existing paper business processes or adapted systems developed for other organizations. (3)
Apply appropriate technology to improve outcomes	Acquire technology when funding and expertise is available	Counties have limited access to technology expertise and have funded technology sporadically or when grants were available. (3)
Create alliances that strategically improve outcomes and/or reduce unit costs	Engaged in intergovernmental and/or regional service delivery agreements	Counties widely contract with other local governments to provide service especially when scale improves outcomes including unit costs or allows the purchase of scarce or expensive resources or expertise. (2)
Apply “best practice” management practices	Training for Commissioners and department heads	Training is primarily available related to areas of “risk” for county officials or about existing or changing processes and regulations that apply to counties. (3)

Sources:

- 1) Local Government Financial Reporting System, State Auditor’s Office
- 2) County Official 2007 Survey, Appendix C, Questions 10 and 12
- 3) CTED County Legislative Study Advisory Committee

Opportunities for further improvements in county efficiency and effectiveness

Based on a look at what counties have already accomplished, what conditions need to be present for success in efficiency and effectiveness efforts and the strategies employed by the private sector, there are several opportunities that can be identified to improve Washington county efficiency and effectiveness. Some of these strategies may require actions by or partnering with the state and some, the counties could undertake independently.

County efficiency and effectiveness improvement opportunities	Implementor(s)
Strengthen county leadership in order to undertake	State and Counties

significant efficiency and effectiveness improvements	
Strengthen county leadership training in best management practices	Counties
Implement business process redesign efforts including technology improvements in key county business processes as software systems are updated	Counties and State
Acquire access to expertise in business process redesign and technology.	Counties
Establish alliances with other counties that are redesigning the same business process to share resources and reduce short and long term costs.	Counties
Establish a partnership with the state to redesign business processes where state statute or regulation significantly inhibits implementation of efficiency or effectiveness improvements.	Counties and State
Support further centralization and automation of county internal support services.	Counties and State
Take advantage of counties expertise in intergovernmental service agreements to facilitate multi-party efficiency and effectiveness efforts.	Counties
Invest in sustained efforts to improve county business processes including technology.	State and Counties

ATTACHMENT C

To: County Fiscal Health Study Advisory Group
From: Bill Vogler, Executive Director, WSAC
Date: September 18, 2007
Re: Other States Opinions on Governance Alternatives

The Municipal Research Service Center prepared a report entitled “County Governance Alternatives” for the advisory group’s second meeting (August 24th). Contained in the report at page 19 was a description of several county governance options that exist in other states, but not Washington. Specifically, the states are Florida, Idaho, Illinois, Minnesota, North Carolina, and Utah. Additionally, the “county consolidated office” form of county governance is described on page 23 of the MRSC report.

WSAC contacted the Executive Directors of these states county associations to ask their perspectives on the governance options contained in the MSRC report. Several of the email responses were supplemented by telephone discussions. The responses of the Executive Directors can be summarized as follows:

1. **Few counties have exercised optional forms of governance.**

Despite having these options, few counties have been successful in changing their form of governance. The overwhelming response was that few citizens see the need for governance reform.

2. **Growth drives major changes in county governance.**

Where change has occurred, rapid growth and urbanization is occurring in that county. The change has generally come as adopting a county charter or the state legislature forcing a charter or city/county consolidation on a particular county. This is consistent with the finding on page 17 of the MRSC report that the number of counties implementing charters is small, but those counties generally contain over half of a state’s population.

3. **The county commission/county manager form of governance is the most recommended by Executive Directors.**

This option has the least effect on the interactions with separately elected officials. However, the presence of a county manager or administrator does increase staff professionalism and accountability.

4. **Changes in county governance did not result in fiscal savings, but does positively impact service delivery.**

Where major governance change has occurred, the Executive Directors note that the change is costly in terms of personnel and administration. However, consolidating some functions and having more oversight over day-to-day operations by a county manager or administrator has improved service delivery.

County Financial Health and Governance Alternatives Study Advisory Committee

Agenda Topic: Draft Study Recommendations	
Agenda Item: 4(d)	Staff Contact: CTED Project Manager -- Anne Pflug annep@cted.wa.gov 509-925-2608
Study Question(s) Being Addressed: All	Reference Documents: Attachment A: Draft Recommendations Attachment B: Fact sheet on Washington County Finance

Requested Action:

The purpose of this agenda topic is to present the draft Legislative Report recommendations and to get any desired feedback from the Advisory Committee today and on October 19.

Background:

All of the study components are complete or near complete and the Advisory Committee asked at its last meeting that staff provide draft recommendations as a framework for discussion. As the committee is aware the recommendations will be reviewed by CTED management and the Governor's Office and potentially modified prior to the study being submitted to the Legislature and Governor on December 1. The recommendations that have Advisory Committee consensus agreement will be noted in the report.

Discussion:

Study recommendations were prepared by staff considering all of the work developed for the study, Advisory Committee discussion to date and input from a variety of others inside and outside of local and state government in Washington.

As an aid to discussion I developed a set of "principles" that guided the recommendations. Both the principles and recommendations, of course, are draft language subject to Committee discussion and modification. In making recommendations my experience is that they need to be short and few. I have included recommendations that are both short and long term. I did not include recommendations for further study at this point but Legislators are open to that idea since they recognize that the time frame for the study was short.

Recommendations:

Provide desired feedback.

Attachment A

Recommendations

Discussion Draft

Principles

These recommendations are guided by the following principles.

- Counties function as “agents” of the state. Significant additional improvement in efficiency and effectiveness can only be accomplished through **partnering with the state to change joint systems or state policy**.
- Counties **lack some key governance tools** that would facilitate the application of best public management practices to continue their work in improving efficiency and effectiveness.
- County government’s funding base over the last decade has become inelastic, restricted and dependent on too few sources to be responsive. Additional **flexibility** in County government’s revenue base is necessary to sustain **equal access to basic services** across the state.
- Changes in county governance or funding base should have a **neutral impact or facilitate** the further implementation of **growth management policy**.
- Many counties will be acquiring new software and/or technology over the next decade to replace existing outmoded automation. These changes represent a major **opportunity to increase short and long term efficiency, effectiveness and interoperability** among local governments and with the state.

Recommendations related to efficiency and effectiveness

1. The state should support provision of joint services by local governments through:
 - a. Assuring that funding formulas do not penalize governments that provide services jointly. At minimum, funding should be allocated to joint service providers at the same level as those providers would have received separately.
 - b. Amending state statutes by general law to assure that counties are authorized to enter into joint service agreements including multi-county service agreements and agreements between counties and the state in all service areas including services funded with special revenue funds and services that involve enforcement programs that may or may not require commissioned officers.
 - c. Providing model service agreements that can be adapted to the needs of individual counties.
2. The state should support the re-design of county service “business processes” to increase county and state efficiency and effectiveness through allocating State Auditor performance audit funds to joint projects that audit for performance and then as a direct follow-up re-design key county business processes. Funding should include scoping, design and implementation including technology infrastructure requirements.

Recommendations related to county governance

The Legislature has requested that specific “governance alternatives” be proposed. The study has resulted in identifying a number of alternatives. There are alternatives that would improve efficiency and effectiveness using the current governance model and there are alternatives that would move toward transforming county governance. Recommendations one and two below may be implemented within the current governance framework. Recommendation three moves toward transforming county governance.

4. The Legislature should consider enacting statutes that strength the existing Commission form of county government by:
 - a. Expanding the executive powers of the Board of County Commissioners to initiate and conduct processes, programs or studies that improve efficiency and effectiveness including the authority by general law to enter into joint service agreements among counties for services funded by special revenue funds or requiring commissioning of enforcement officers.
 - b. Providing the specific statutory authority for the Board of Commissioners to appoint a county administrator or manager.
5. The Legislature should consider enacting a statute that would fund a ten year effort to re-design key county/state business processes. Governance of this effort should involve both Legislators and county officials to oversee the selection, funding and implementation of business process re-design projects within public service systems operated jointly by the state and counties. The Legislature would authorize recommendations being made regarding changes to state statute necessary to improve efficiency and effectiveness as a part of each project.
6. The Legislature should consider a constitutional amendment that would create an alternative to the current charter county provisions. The amendment would allow a county to place the question of creating a “Model Charter County” on the ballot for voter approval or rejection. The measure would be placed on the ballot by the county legislative body or by voter petition. The legislature would enact the “Model Charter” by statute in two alternative forms – the County Council/Manager form or the County Council/Elected Executive form.

Recommendations related to county financial health

1. In order to support equal access to basic services across the state, county funding should include at least one source that grows more in proportion to the economy, a third leg to the existing two legged revenue stool. Fiscally distressed counties should be allocated a portion of the state business and occupation tax receipts to broaden their funding base and provide funding for basic services such as property tax collection; voter registration and elections; adult and juvenile criminal justice; property and vital records; and public health including mental health and chemical dependency services. Those counties with the most limited tax bases should receive a minimum amount from the state in order to pay for the fixed costs of providing basic services.

2. Flexibility in existing county funding sources should be increased by:
 - a. Consolidating some of the existing county special sales tax authorizations into a single sales tax source that can be authorized by the county legislative body subject to referendum. These taxes might include 0.3% public safety, 0.1% emergency communications and 0.1% mental health. The county would be authorized to restrict the use of the funds or seek voter approval as a local option.
 - b. Non-supplanting language should be removed from existing county revenue statutes. Due to tax limitations in most counties, county revenue no longer grows sufficiently from year to year to cover employee cost of living and benefit increases along with other service delivery costs. County officials are trying to live within their means and become more efficient and effective through service initiatives which often combine new and old ways of conducting service delivery. Non-supplanting requirements frustrate those efforts.

3. In-lieu of providing additional revenue to counties, the state should reimburse counties for state services provided by county government in order to support equal access across the state. These services could include:
 - a. A pre-determined amount per registered voter per year to support voter registration and election administration.
 - b. An amount equal to 1% of tax collections to cover the cost of the assessment and collection of property taxes for the state and other taxing districts, similar to the 1% charged to taxing entities for the collections of sales taxes by the state.
 - c. An amount equal to average jail day costs (\$72 dollars per jail day in 2006) plus medical expenses for felons with a sentence of 12 or more months that are held in county jails pre-sentence or post sentence due to community supervision violations or other reasons.
 - d. An amount equal to one half of the cost of Superior and District Court including public defense, civil defense, prosecutor costs and facilities.
 - e. Those counties with the most limited tax bases should receive a minimum amount from the state in order to pay for the fixed costs of providing basic services.

Attachment B
Fact Sheet - County Taxes

**AUTHORIZED REGULAR AND SPECIAL LEVY RATES
AND NUMBER OF DISTRICTS CURRENTLY LEVYING PROPERTY TAXES**

Taxing District/Purpose	Maximum Rate	Levying Counties	RCW Cite
County – General Purpose	\$1.80	39	84.52.043
County Road	\$2.25	39	36.82.040
County – criminal justice	\$0.50	0	84.52.135
County - veterans assistance	\$0.27	34	73.08.080
County - mental health/dev. disability	\$0.025	39	71.20.110
County - lands assessment fund	\$0.125	0	36.33.140

Source: Department of Revenue Tax Manual

RCW 84.52.135

County levy for criminal justice purposes.

- (1) A county with **a population of ninety thousand or less** may impose additional regular property tax levies in an amount equal to fifty cents or less per thousand dollars of the assessed value of property in the county in accordance with the terms of this section.
- (2) The tax proposition may be submitted at a general or special election.
- (3) The tax may be imposed each year for six consecutive years when specifically authorized by the registered voters voting on the proposition, subject to the following:
 - (a) If the number of registered voters voting on the proposition does not exceed forty percent of the total number of voters voting in the taxing district at the last general election, the number of persons voting "yes" on the proposition shall constitute at least three-fifths of a number equal to forty percent of the total number of voters voting in the taxing district at the last general election.
 - (b) If the number of registered voters voting on the proposition exceeds forty percent of the total number of voters voting in the taxing district at the last preceding general election, the **number of persons voting "yes" on the proposition shall be at least three-fifths of the registered voters voting on the proposition.**
- (4) Ballot propositions shall conform with RCW [29A.36.210](#).

(5) Any tax imposed under this section shall be used exclusively for criminal justice purposes.

RCW 36.33.130

County lands assessment fund created — Purpose of fund.

The county lands assessment fund may be expended by the county commissioners to pay in full or in part, any **assessment or installment of assessments of drainage improvement districts, diking improvement districts, or districts formed for the foregoing purposes, or assessments for road improvements**, falling due against lands in the year when such lands are acquired by the county or while they are owned by the county, including lands acquired by the county for general purposes; also lands which have been acquired by the county by foreclosure of general taxes. Payment may be made of such assessments, or installments thereof, against such lands or classes of lands, and in such districts or classes of districts as the county commissioners deem advisable. No payment shall be made of any assessments or installments of assessments falling due prior to the year in which the lands were acquired by the county, nor shall any assessments be paid in advance of the time when they fall due. Assessments for maintenance and operation of dikes, drains, or other improvements of districts falling due upon such lands while owned by the county, may be paid without the payment of assessments or installments thereof for construction of the improvements, if the county commissioners elect so to do.

RCW 36.33.140

County lands assessment fund created — Amount of levy.

The amount of the levy in any year for the county lands assessment fund shall not exceed the estimated amount needed over and above all moneys on hand in the fund, to pay the aggregate amount of such assessments falling due against the lands in the ensuing year; and in no event shall the levy exceed twelve and one-half cents per thousand dollars of assessed value upon all taxable property in the county.

CURRENT IMPLEMENTATION OF LOCAL SALES TAXES

Taxing District/Purpose	Maximum Rate	Levying Counties	Shared Revenue	Voter Approval Required
County Basic Rate	0.5%	39	No	No
County Optional Rate	0.5%	36	No	Subject to Referendum
Transit Tax	0.1 to 0.9%	10	District	Yes
Criminal Justice	0.1%	32	Yes – 10% plus proportion	Subject to Referendum

			to counties	
Juvenile Corrections Facilities	0.1%	14	No	Yes
Rural Counties (credit against state sales tax)	0.08%	32	No	No
Emergency Communications	0.1%	9	Permitted	Yes
Public Safety	0.3%	4	Yes – 60% County	Yes, Majority
Public Facilities	0.2%	1	District	No
Transportation Benefit	0.2%	0	District	Yes
Mental Health	0.1%	4	No	No

Source: Department of Revenue Tax Manual

EMERGENCY COMMUNICATIONS: RCW 82.14.420 permits counties to levy a local sales/use tax of 0.1 percent for the financing of **emergency communications systems and facilities**. Voters of the county must approve the tax. Levying counties may share the tax receipts with the cities in the county to finance these systems and facilities. The authorizing legislation was adopted in 2002, and the tax was first implemented in Thurston County in January 2003. To date nine counties have levied the tax: Clallam, Grant, Grays Harbor, Jefferson, Kitsap, Lincoln, Skagit, Thurston and Whitman.

PUBLIC SAFETY: This local sales/use tax was adopted in 2003. RCW 82.14.450 provides a tax of up to 0.3 percent for counties, subject to voter approval. A simple majority vote is required. At least **one-third of the tax receipts must be devoted to criminal justice programs, including funding of additional police officers and the relief of congested court systems and overcrowded correctional facilities**. The levying county is to retain 60 percent of the receipts and the remaining 40 percent will be distributed to cities within the county on a per capita basis. The statute requires that the use of the revenues be stated in the ballot proposition that goes before the voters; **further, the receipts may not be used to replace existing funds for such programs**. This local sales tax features another differential tax base which departs from the state sales tax base. Like the regional transportation tax, sales of motor vehicles are not subject to the local tax. However, unlike the transportation tax, there is no special use tax on vehicles purchased by owners who reside within the levying county. The tax has been implemented in four counties: Walla Walla, Spokane, Whatcom and Yakima.

TRANSPORTATION BENEFIT DISTRICT: RCW 82.14.0455 provides a local sales tax of up to 0.2 percent for a transportation benefit district (TBD) formed pursuant to Chapter 36.73 RCW. A TBD may include area within one or more counties, cities, port districts, county transportation authority, or public transportation benefit area. Because of the restrictions in RCW 36.73.020, a TBD may not be formed in central Puget Sound. By simple majority voter approval, **the tax may**

be levied for a ten-year period, unless reauthorized for a second ten years by the voters. The tax was authorized in 2005 and has yet to be implemented.

MENTAL HEALTH/CHEMICAL DEPENDENCY: By action of the county legislative body a county tax of 0.1 percent may be imposed. Pursuant to RCW 82.14.460 adopted in 2005 the proceeds must be devoted to **new or expanded county programs devoted to mental health treatment, chemical dependency services, or therapeutic court programs**. The tax has been imposed in four counties: Jefferson, Skagit, and Spokane began on April 1, 2006, and Clallam started on July 1, 2006.

Revenue Generated by Various Sources

(Based on 2006 tax receipts unless noted)

1. **State** Business and Occupation Tax
 - a. Total Generated \$2.5 Billion
 - b. 1% equals \$25M
 2. Sales Tax
 - a. Total Generated at state rate of 6.5 cents is \$6.9 Billion
 - b. 1/10 of one cent equals \$106M
 3. Property Taxes
 - a. Total collections from all taxing districts *less* county taxes equals \$6 Billion
 - b. 1% equals \$60M
 4. Rough Estimate of cost of “state agent” services
 - a. State Average \$233 per capita – County Examples
 - i. Ferry County \$287
 - ii. Benton County \$132
 - iii. King County \$266
 - b. Includes General Fund services for Judicial, Legal (excluding civil), Law Enforcement, Detention and Corrections, Juvenile Services, Financial and Records Services and Public Health (all funds).
 - c. Agent services *less* General Fund property tax, sales tax, licenses/permit and fines/forfeitures and special fund public health funding equals an average of:
 - i. \$43 per capita shortfall for counties less than 50,000 population (\$16M)
 - ii. \$28 per capita shortfall for counties between 50,000 and 150,000 (\$23M)
 - iii. \$42 per capita shortfall for counties over 150,000 (\$217M)
- (Source State Auditors Office Local Government Financial Reporting System, 2005)

County Financial Health and Governance Alternatives Study Advisory Committee

Agenda Topic: County Official Survey Component	
Agenda Item: 4(e)	Staff Contact: CTED Project Manager -- Anne Pflug annep@cted.wa.gov 509-925-2608
Study Question(s) Being Addressed: All	Reference Documents: <ul style="list-style-type: none"> • Draft Survey Report is posted on web site http://www.cted.wa.gov/site/1044/default.aspx

Requested Action:

The purpose of this agenda topic is to present the draft report on the County Official Survey component of the Legislative Report and to get any desired feedback from the Advisory Committee.

Background:

Washington State University was contracted to do the survey component of the Legislative Report. The principle author of the survey report Kent Miller, will be present to provide a presentation to the Advisory Committee on the draft. The draft report is posted on the study web site.

Discussion:

This component of the Legislative Study was intended to gather feedback from county officials on the three major topics of this study: efficiency and effectiveness, financial condition and governance alternatives. Each section of the survey asked for both information from the counties and opinions. 522 responses were received out of the 750 county officials or 70%. Approximately 19 county officials were surveyed in each county. We received responses from all 39 counties.

WSU was asked to provide data in its report on survey responses in one of two formats for each question. The first format was "all respondents" and the second format was "by county". Each question was designated for a specific response format. If the Advisory Committee feels that any question would be better presented in the other alternative format let us know.

Recommendations:

Provide desired feedback.