



STATE OF WASHINGTON
DEPARTMENT OF COMMUNITY,
TRADE AND ECONOMIC DEVELOPMENT

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

DRAFT

December 1, 2007

Local Government Division

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

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

Background

The 2007 legislature directed the Department of Community, Trade and Economic Development to present a study of county financial health and governance alternatives to the Governor and Legislature by December 1, 2007. The study request emerged as a result of legislative debate over increases in state funding for counties. The legislature recognized that counties have limited revenue options and capacity that has been further limited over the last decade. Counties in Washington also have limited organizational structure options compared to other states and Washington cities. The legislature was concerned that these limitations may lead to inefficiencies. The state has an interest in assuring that any increased state funding goes to those jurisdictions that need it the most and that all counties have an opportunity to organize in a manner that is the most effective and cost efficient for their local circumstances.

Study Questions

Based on legislative direction the following “Study Questions” were developed:

- What factors contribute to county fiscal health?
- Which Washington counties are the most fiscally distressed?
- 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?

Conclusions

Conclusions that shaped the recommendations

- The majority of county services are provided as “agents of the state”. Significant additional improvement in efficiency and effectiveness can best 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.
- Many counties will be acquiring new software and/or technology over the next decade to replace existing outmoded systems. These changes represent a major **opportunity for**

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the state and counties to partner in order to increase short and long term efficiency, effectiveness and interoperability among local governments and with the state.

- 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. **New revenue** is necessary to sustain services **in fiscally distressed counties**.
- Changes in county government’s funding base should have a **neutral impact or facilitate** the further implementation of **growth management policy**.

NEED TO LIFT CONCLUSIONS FROM EACH MAJOR SECTION AND INSERT

Conclusions related to efficiency and effectiveness

- Counties have made significant strides in the area of improving the efficiency and effectiveness of county government.

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Conclusions related to governance alternatives

Conclusions related to fiscal health

Recommendations (subject to significant change)

Any study of county governance and finance in Washington must balance many interests and divergent view points that are as varied as the many geographically distinct regions in the state. Based on the findings in the report, the Advisory Committee’s work and recommendations (see **page XX**) and the conclusions above, CTED recommends the following actions as result of this study:

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

BACKGROUND

Legislative Budget Proviso

The 2007 legislature directed the Department of Community, Trade and Economic Development to present a study of county financial health and governance alternatives to the Governor and Legislature by December 1, 2007. The study request emerged as a result of legislative debate over increases in state funding for counties. The legislature recognized that counties have limited revenue options and capacity that has been further limited over the last decade. Counties in Washington also have limited organizational structure options compared to other states and Washington cities. The legislature was concerned that these limitations may lead to inefficiencies. The state has an interest in assuring that any increased state funding goes to those jurisdictions that need it the most and that all counties have an opportunity to organize in a manner that is the most effective and cost efficient for their local circumstances.

Budget Proviso Language

The Legislative budget proviso language reads as follows:

To the Department of Community, Trade and Economic Development...\$200,000 of the general fund--state appropriation for fiscal year 2008 is provided solely for a study to examine the fiscal health of counties. The study shall address spending and revenues, as well as the demographic, geographic, social, economic, and other factors contributing to or causing financial distress. The study shall also examine the financial efficiencies, cost savings, and improved levels of service that 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.

The department of community, trade, and economic development may contract or consult with any agency, organization, or other public or private entity as it deems necessary in order to complete the study required under this section. The study may contain options and actions for consideration by the governor and the legislature, but at minimum shall recommend the changes to constitutional and statutory law necessary to provide counties with the legal authority required to implement the changes in governmental structures and functions needed to promote optimum financial efficiency and improved services.

The study shall be transmitted to the appropriate committees of the legislature and the governor by December 1, 2007.

Scope of Study

Study Questions

Based on the budget proviso authorizing the study, the following “Study Questions” were developed:

- What factors contribute to county fiscal health?
- Which Washington counties are the most fiscally distressed?
- 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?

Study Components

Based on the study questions four research components were developed and data was gathered through original research using different methods to address the study questions:

The major research components of the study are:

- Background and history of existing county government structure, responsibilities and financing.
- Evaluation of county fiscal health based on qualitative and quantitative data including identifying common characteristics or factors of identified fiscally stressed and healthy counties.
- Identification, discussion and evaluation of county governance alternatives based on research into options used in other states and the range of options available under Washington’s constitution.
- Identifying efficiency and effectiveness improvement opportunities for Washington counties including those related to governance structure.

Study Methods

Information and data were collected in a variety of ways including the following original study efforts:

- Input from an advisory committee. The Department appointed a thirteen member advisory committee made up of eleven elected and appointed county officials from across the state, a college professor with expertise in the public sector and a local economic development executive. The advisory committee provided feedback on study content and recommendations.

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- A survey of 750 county elected and appointed officials, an average of 19 per county, to gather information about county fiscal health, efficiency and effectiveness, and governance alternatives (see Appendix H).
- Mapping of major public service systems in Washington where the counties play a key role. At a high level the major parts of the each of four service systems are laid out (criminal justice, human services, general government and environment/transportation) with discussion of who delivers what parts of each system, who pays for service delivery and who determines the minimum service levels. These components are compared to six other states in a similar population band with similar county services -- Indiana, Minnesota, Wisconsin, Maryland, Arizona and Colorado (see Appendix G).
- Three case studies were developed to evaluate potential cost savings that might result from select governance changes. One case study evaluates merging county treasurer, assessor and auditor functions within a single county; the second looks at merging an elected position (Superior Court Judge), court administration and county clerk among two or more counties; and the third looks at what works, what doesn't and what gets in the way of joint service agreements for selected services -- regional jail, urban growth area (UGA) agreements, public health, economic development, law enforcement and information technology (see Appendix F).
- Analysis of existing publicly available data, research, reports and statistics on county government, financial health or service delivery as a whole or individually (see Appendix B, C, D and E).

Limitations

This report focuses on county financial health and governance. It was guided by the express legislative desire to assist counties to be even more efficient and effective in delivering public services. The timeline to produce the study was very aggressive, five months. As a result, the depth of the analysis is limited and some topics were evaluated only at a high level. Input from counties themselves was also limited by time constraints and it is likely that not all viewpoints and existing practices were captured. While some components of the legislative study include discussion of other Washington local governments, specifically cities and special districts, the primary focus of this study was on county government therefore findings and conclusions related to cities and special districts on the same topics may be quite different.

Definitions

The term “county” when used in this report includes all thirty nine counties whether operated as charter or non-charter counties under the Washington constitution. When specific data or evaluations are discussed for the thirty three “non-charter” or “Commission form” counties it is noted.

The term “separately elected county officials” includes all elected county department heads that *do not* report to the County Commissioners. These officials are defined by the Constitution (Superior and District Court Judges, Sheriff, Prosecuting Attorney, Coroner, Treasurer and Clerk) or state statute (Assessor and Auditor). These officials are “hired and fired” in essence by

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the voters of the county through the election process. Accountability to the Commissioners is limited by statute.

Understanding County Government in Washington State

Counties as “Agents” of the State

Counties were developed to transact public business and provide equal access to key public services at the time of statehood. In the late 1800’s county seats were often selected because they were within one or more “days horse ride” from the farthest point in the county. At statehood, state government did not have state agencies as we know them today to conduct state business, so counties fulfilled that function as “agents” of the state. Counties collected taxes, served as the location to file official documents, vote and resolve disputes through the courts. Law enforcement was conducted locally, primarily by county sheriffs. Roads, the only form of ‘highway’ at the time, were constructed and maintained by counties. Government business was primarily conducted in-person at the county courthouse and documented, when necessary, with hand written paper records.

Modern technology and modes of communication, record keeping and transportation have created many other potential methods for transacting public business and providing public services however the primary function of counties as “agents of the state” has not changed. Counties are now not the only “agents” of the state. State agencies and other local governments may also perform state functions. Counties employed 34,176 full time employees in 2006 making counties the largest state “agency” followed by the University of Washington (20,000 FTE) and the Department of Social and Health Services (18,000 FTE).

Cite a Citizens Guide to State Government, 2007 Senate Ways and Means Committee publication

Counties have evolved since statehood playing two additional roles assigned by the Legislature. Counties provide a limited number of “local” public services to primarily rural residents and businesses. Most “urban” services are provided by cities. In addition, counties have been asked to coordinate and sometimes provide “regional” services that serve all residents within a county.

How are counties organized?

The structure of county government with its uniform system of elected legislative and judicial officials and separately elected county officials was created by the Washington constitution at statehood in 1887 and has not been substantially changed since 1948 when the constitution was amended to allow counties the option of greater “home rule” by becoming Charter counties following a constitutionally prescribed process requiring voter approval.

Today six of Washington’s 39 counties operate under a home rule charter and 33 counties operate under the governance structure prescribed by the Constitution. The non-charter counties have only the powers given to them by the state legislature. “Home Rule” in Washington generally allows counties to determine their own governance system and determine what services the county provides with Charter authorization versus legislative authorization. **In general**

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“home rule” in Washington does not allow counties to determine their own taxing authority as it does in some other states.

All counties in Washington have a legislative and judicial branch. Five charter counties have an executive, either appointed or elected as determined by the charter. In non-charter counties the County Commission has a dual role as the legislative body and executive. The executive function is shared, in part, with the separately elected county officials which are established by the constitution (Sheriff, Prosecuting Attorney, Coroner, Treasurer and Clerk) or by state statute (Assessor and Auditor). The county legislative body or judiciary may also appoint other department heads that are responsible for service delivery in the areas of county roads, land use planning and permitting, public health, human services, parks and recreations, county fair, information technology, court administration, facilities and agricultural extension.

Charter Counties

It was not until 1969 (21 years after receiving this authority) that the first county home rule charter was adopted by King County. Since that time five other counties have adopted home rule charters: Whatcom (1978), Clallam (1979), Snohomish (1980), Pierce (1981) and San Juan (2005). Several counties, including Kitsap, Island, Thurston, Cowlitz, Ferry, Skamania, Grant, Skagit, Spokane and Clark counties, have tried and failed to adopt home rule charters. **Seven counties have held elections that have failed in the last decade.**

When charter counties were formed, as specified in the constitution, a board of freeholders was elected, and the result of their work was adopted by vote of the citizens. Charter counties vary in the number of separately elected county officials from three to six. All non-charter counties have six or seven separately elected county officials, department heads that do not report to the County Commissioners, depending on whether the county is small enough to have a joint Prosecutor-Coroner authorized by state statute.

In the five council-executive charter counties, the size of the council ranges from five members in Snohomish County to nine in King County. The council's primary duty is to adopt a budget and establish county policy. The county executive or administrator is responsible for general administration and operation of the county. The executive or administrator is also responsible for proposing the budget and, in the case of an elected county executive, has veto power over most council actions. Clallam County has retained the three-member commission form of government with responsibilities similar to boards of commissioners in non-charter counties; it also has an appointed county administrator.

A county charter can make any elected county official, except the prosecuting attorney and superior court judges, an appointive rather than an elective position. The six charter counties vary greatly in their treatment of the offices of the assessor, auditor, superior court clerk, sheriff, and treasurer. The assessor is an elected position in every county, although some make the position non-partisan. The auditor is an elected officer in all but one county (King), where the auditor is appointed by the council. The clerk is an appointive position in all but two counties (Snohomish and San Juan), with the appointing authority varying among the commissioners, the superior court judges, and the executive (with council confirmation). The sheriff is now an

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elected position in all but one county (Pierce), although most counties have made the position non-partisan. The treasurer continues to be an elected position in all but one county (King). Pierce County has combined the assessor and treasurer into a single elected position. The coroner or medical examiner has been made an appointive position in every charter county, although in Clallam County, the prosecuting attorney serves as the ex officio coroner.

Non-charter Counties

The form of government provided in state law for the remaining 33 non-charter counties is the commission form. All non-charter counties are required to operate under this form of government. There are some population-based differences in the state laws governing counties, but the basic elements of the commission form of government are otherwise the same for all of the non-charter counties.

Under the commission form, the county governing body consists of a three-member board of commissioners, elected on a partisan basis, who serve as the legislative body and also perform executive functions. No single administrator or executive oversees a county's operations under the commission form of government. The Commissioners appoint some county department heads and the balance are elected and do not report to the Commission. While the county commissioners establish the budget and act as the county legislative body, they share administrative functions with other independently-elected county officials, including a prosecuting attorney, clerk, treasurer, sheriff, assessor, coroner, and auditor. Other independently-elected county officials and court officers include the county prosecuting attorney and the judges of the county superior and district courts.

The independent role of the county elected officials makes county government quite different from city government, where the number of elected officials is far fewer, being limited usually to a mayor and city council members. In county government, multiple elected officials are intended to provide a system of checks and balances. For example, the checks and balances that exist among the assessor's office, the treasurer's office and the auditor's office are intended to divide the responsibility of handling multi-million dollar tax funds. The county collects taxes for the cities, the school districts, the road districts, the many other special purpose districts and other functions involved in county government. The county collects taxes from property owners based on the value the assessor sets on property and the property tax levy. The treasurer takes the levy and the assessments to create the list of taxes owed by each property owner and bill the taxpayers.

Although there is no constitutional or statutory requirement for county commissioners to delegate any of their executive authority to an appointed administrator, it appears that some of them have, to a limited degree, chosen to do so. There is no apparent uniformity to the job titles given to such positions, nor with respect to their duties and responsibilities. Nevertheless, there appears to have been a conscious action taken by the board of commissioners in many non-charter counties to delegate some degree of their administrative authority to an appointed administrator.

Cite MRSC Report

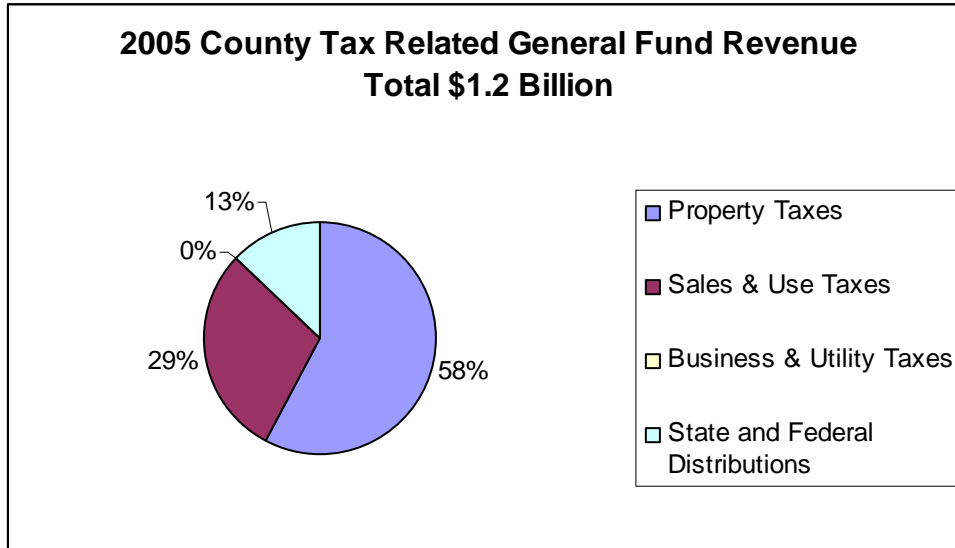
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How is county government financed?

State law authorizes and limits taxes and fees that may be imposed by counties. The major tax revenue sources available to local governments are property and sales taxes for both cities and counties, and business and occupation (B&O) and utility taxes, which are authorized exclusively for cities.

As shown in **Chart A** over half (58%) of county general fund revenues are generated from local property taxes with another 29% coming from sales tax. Similarly, **Chart B** shows that about one third of city general fund revenue is from each of these same sources. City B&O and utility taxes provide the final 31 percent of all city general fund revenue. The remainder of county and city revenue consists of distributions from the state and federal governments and other taxes, fees, fines, interest earnings, and other contributions. State and federal grants comprise a larger proportion of county revenues. A large proportion of state and federal funding to counties is restricted to specific purposes.

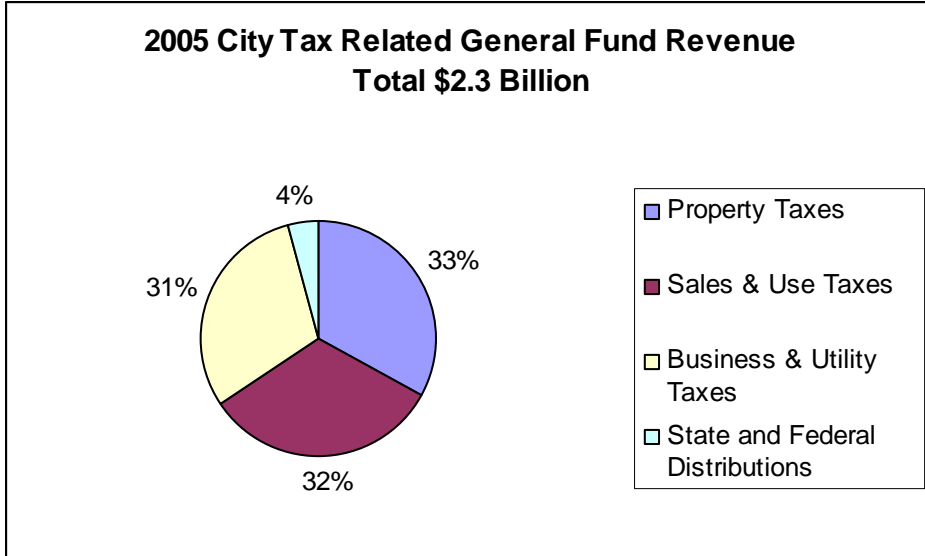
Chart A



Source: Legislative Evaluation and Accountability Program

Chart B

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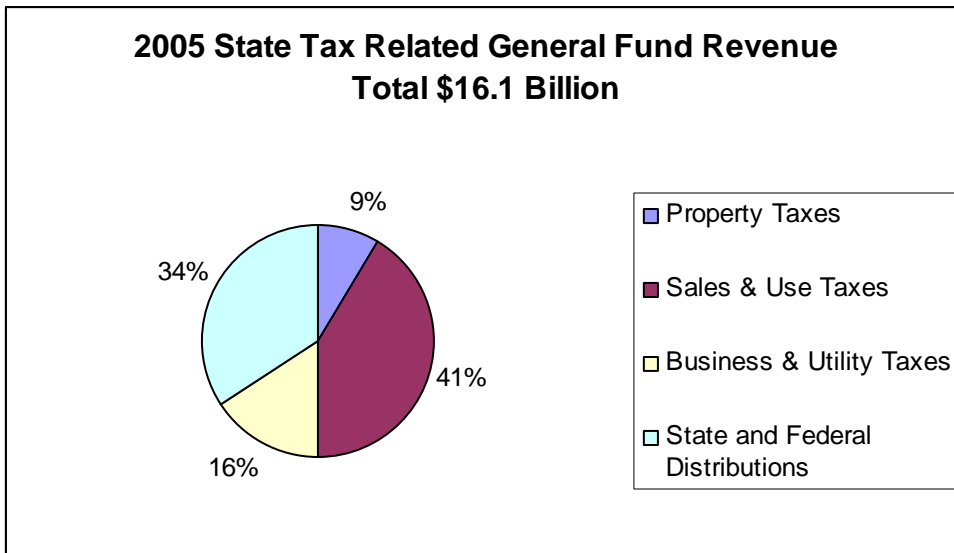


Source: Legislative Evaluation and Accountability Program

Chart C and D shows comparable State revenue. The major sources of state general fund revenue are sales tax (41%), federal distributions (34%), business and utility taxes (16%) and property tax (9%). State and city revenue changes more with economic conditions because they are more dependent on sales and business taxation while county revenue is more dependent on property taxes that are influenced far less by economic change and more by levy growth limits. Comparative overall revenue stability is frequently described in terms “legs on a stool” (see Chart D)

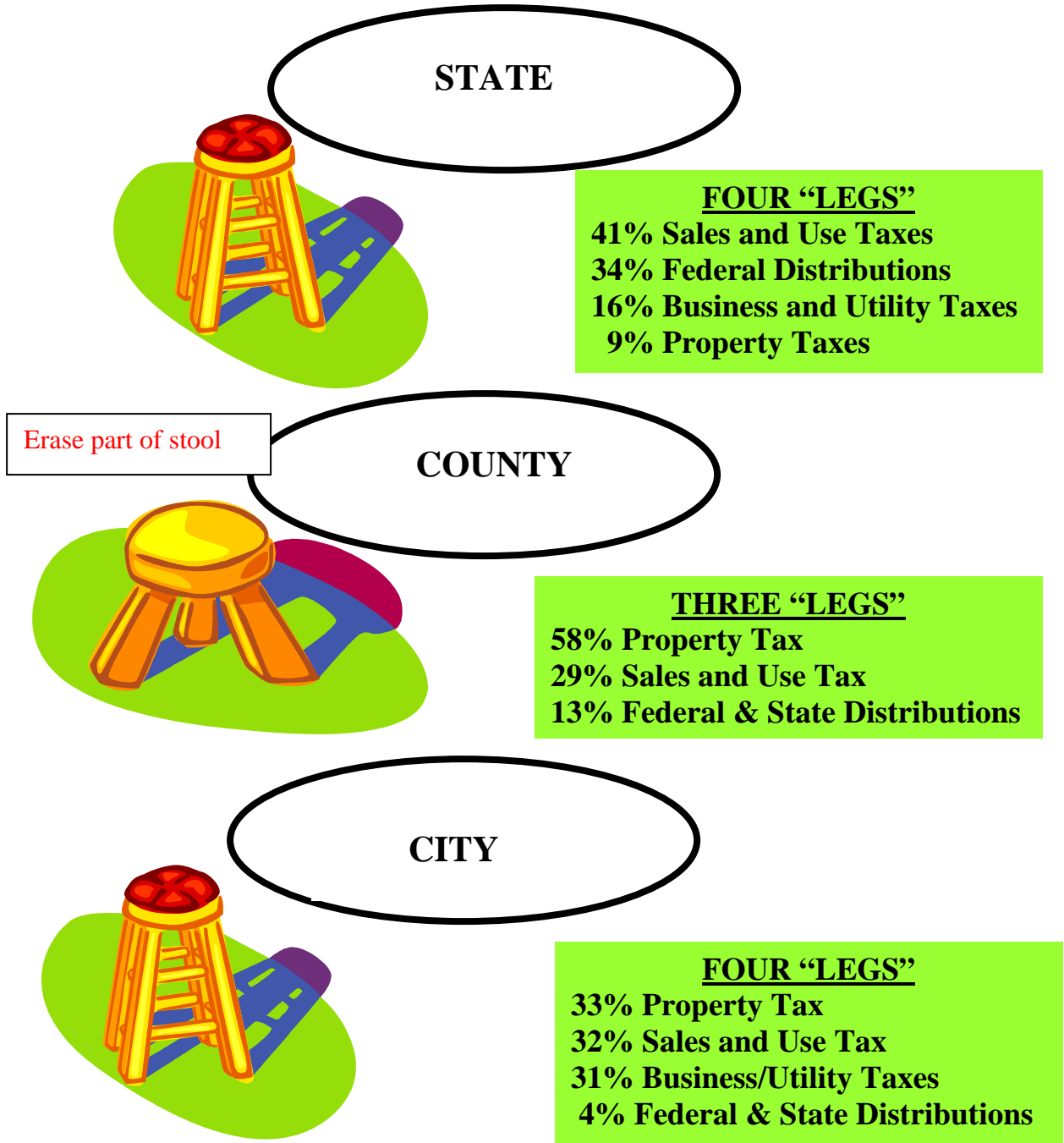
Cite page 21- 23 of citizens guide to local government finance in Washington State, Senate Ways and Means Committee, 2001 and LEAP
<http://www.leg.wa.gov/documents/senate/SCS/WM/SwmWebsite/BudgetGuides/2001/cglgf1.pdf>

Chart C



Source: Legislative Evaluation and Accountability Program

COMPARISON OF GENERAL FUND TAX REVENUE



State agencies may have separate authority to charge fees or receive revenue restricted to their operations but most are supported with significant state tax revenue from one or more of the major state sources. Counties, as agents of the state, for example are not always authorized to collect similar fees. For example state agencies are authorized to collect up to 2% of receipts for collection of sales taxes for local governments that goes to the state general fund. Since 1997 the

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fee charged has been one percent of collections. Counties, the primary collection agent for property taxes, are not currently authorized to collect a fee to cover collection expenses to the approximately 1700 taxing units that levy property taxes. Based on estimates of collection costs for King County and Lewis County the approximate cost to collect property taxes is a little less than 1% of receipts (less county tax receipts). The state has a limited role in property tax collections that would also need to be factored into the total costs. One percent of total property tax collections for 2006 less county government tax receipts would total \$60 million dollars.

Cite Department of Revenue 2007 Tax Reference Manual, page 41

Counties receive some federal distributions that are passed through the state and some direct state tax allocations primarily in the areas of human services and transportation. Total state allocations to county general funds in 2006 were \$105 million dollars of which \$64 million was not competitive grant funding or 3% of total general fund revenue. Special fund revenue that comes from the state including \$150 M in motor vehicle fuel tax for county roads totals \$180M. County criminal justice and general government services including most services the counties provide as an “agent of the state” are currently supported for the most part by local taxes and fees authorized and limited by the state. Unlike other state agencies, counties receive a very small proportion of state tax revenue.

Cite LEAP

Major County Revenue Sources

Local property taxes and sales taxes are the two primary tax sources available to counties. Counties more than any other general purpose government is primarily dependent on property taxes (58% of general fund revenue). In addition the state allocates to counties:

- A portion of the state motor vehicle fuel tax for transportation,
- A portion of the real estate excise tax (REET) for assistance to jurisdictions with a limited tax base (SB6050) and
- A portion of a number of state established fees, fines or forfeitures including court fines and forfeitures. Most of the fees, fines and forfeitures are collected by the counties on behalf of the state.
- The state also contracts for some services, especially human services, with the counties and provides a fee-for-service reimbursement or a client based allocation.

County Revenue Capacity Changes Over Time

Since each county revenue source has been authorized by the Legislature a number of changes have occurred which impact the amount of revenue the counties currently derive from each source.

1. Property Taxes – 58% of county general revenue statewide

Property taxes are the primary source of general fund tax revenue for counties. Thirty nine counties and a little over 1,700 other taxing districts share the property taxes collected each year

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from property owners. The large number of special purpose districts with property tax authority can create significant tax payer confusion and competition for voter attention since most property tax changes must be approved by the voters.

The counties have been authorized to collect the following local property taxes to fund county services:

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

Taxing District/Purpose	Maximum Rate	Levying Counties	RCW Cite
County – General Purpose	101% of prior year levy plus value of new construction times tax rate up to \$1.80	39	84.52.043
County Road	\$101% of prior year levy plus value of new construction times tax rate up to \$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

All counties levy the county general purpose and county road property tax. While not all tax rates are at the maximum for various reasons, the amount of revenue that can be collected by a county per year is limited by Initiative 747 to 101% of the prior years tax levy in dollars plus tax revenue from new construction. This means that if the property tax levy for County A was \$1 million dollars in 2005 then up to \$1,010,000 can be levied in 2006 plus revenue from applying the county tax rate to the value of new construction, if any. Prior to 2001 a county could levy up to 106% of the prior years levy plus new construction. Record building activity in some parts of the state have resulted in new construction levels that represent 2.77% to 2.45% increases in assessed value from 2003 to 2005. Shifts in economic conditions will likely reduce these rates in future years.

Property tax limitations, especially in those counties where new construction activity is low, have forced counties to cut services, divert road taxes to the general fund, defer replacing capital

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assets and costly technology and institute efficiencies so that the counties can keep up with cost increases, many pegged to inflation rates that are above 1%.

A number of property tax exemptions or deferrals have been adopted by the legislature that effect county tax bases by shifting the tax burden among classes of tax payers. County tax revenue can no longer be increased in size except by the method described above so that counties with very small tax bases due to high percentages of public land, open space taxation, current use taxation, a large senior citizen population or limited development are restricted to their current tax revenue base with very limited growth potential.

Bob forwarded to me the attached 2004 DOR report on tax exemptions and a 1999 study on public and private land ownership statewide. The property ownership study shows 40% of all land statewide in public ownership and 60% in private and tribal ownership. The counties with less than 50% private ownership are:

Chelan
Clallam
Ferry
Jefferson
Kittitas
Okanogan
Pend Oreille
Skagit
Skamania
Snohomish
Whatcom
Yakima

The 2004 study on tax exemption shows:

101 property tax exemptions that result in \$29B in taxpayer savings versus \$7.2B in collections (2006) or an 80% exemption rate

Counties have generally not levied the \$0.50 criminal justice property tax authorized in **XXXX** because;

- Voters have not approved the tax which requires a super majority (60%) yes vote. **Insert number of counties that have tried.**
- The revenue generated in limited tax base counties is extremely small, exceeding in some cases the cost of the election and administration. **Give Ferry Co example.**
- The tax is only available to counties of 90,000 population or less and has a limited term of six years which restricts its use for on-going service requirements.
- The super majority requirement in some counties makes the tax politically impractical.

Counties have generally not levied the lands assessment property tax because it is for unique and restricted purposes – payment of property assessment installment payments for diking or drainage improvements on county owned land.

County government has the authority under existing 2001 statute (RCW 84.55.005) to override the 1% limit by majority voter approval for up to six consecutive years. Elections for this purpose must be held at a primary or general election. The title of each ballot measure must state the specific purposes for which the proposed levy increase shall be used, and funds raised under this levy shall not supplant existing funds used for these purposes. King County is the only

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county to implement property tax levy lifts in the last three years. Levy lifts were approved for a finger print identification system (AFIS), Parks, and Veterans/Family services.

Cite Department of Revenue, Research Division.

Counties have generally not requested nor had successful levy lift property tax elections because;

- The tax levy lift authority is relatively new.
- The maximum six year limitation restricts the use of the funds since funding is temporary.
- A number of special districts have levy lift authority propositions which appear on the ballot frequently (primarily school districts and fire districts) that overlap and compete with county ballot propositions.
- In counties where assessed value is growing rapidly, there can be confusion about the impact of property tax levies on property owner tax bills. This fact influences the political feasibility of ballot measures related to property taxes.
- The revenue generated in limited tax base counties is extremely small, exceeding in some cases the cost of the election and administration. Give Ferry Co example.

2. Sales and Use Taxes – 29% of county revenue statewide

Counties have been authorized to collect the following local sales and use taxes to fund county services. Sales tax rate levels are a concern for the sixteen border counties where competition for retail sales with other states or Canada may be an issue. In response to specific needs, a number of new county special purpose sales taxes have been authorized over the last decade:

IMPLEMENTATION OF LOCAL SALES TAX AUTHORITY

Taxing District/Purpose	Maximum Rate	Levying Counties	Shared Revenue	Voter Approval Required
County Basic Rate	0.5%	39	County only	No
County Optional Rate	0.5%	36	County only	Subject to Referendum
Transit Tax	0.1 to 0.9%	10	District	Yes
Criminal Justice	0.1%	32	Shared with cities – 10% goes to county plus a proportion based on unincorporated population	Subject to Referendum
Juvenile Corrections Facilities	0.1%	14	County only	Yes
Rural Counties (credit against	0.08%	32	County only	No

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state sales tax)				
Emergency Communications	0.1%	9	Permitted	Yes
Public Safety	0.3%	4	Shared with cities – 60% County	Yes, Majority
Public Facilities	0.2%	1	District	No
Transportation Benefit	0.2%	0	District	Yes
Mental Health	0.1%	6	County only	No

Source: Department of Revenue Tax Manual with updates by Advisory Committee

Most counties have adopted local sales taxes that do not require voter approval. Some border counties (there are sixteen border counties) do not levy sales taxes beyond the basic rate due of their location adjacent to states with no or limited sales tax rates. **All counties that are classified as “rural counties” levy the rural county tax which is limited in purpose to economic development.**

A county’s sales tax revenue base is limited to taxes from unincorporated area sales and 15% of incorporated area sales. Incorporations and annexations into cities reduces the counties sales tax revenue base and discourages or conflicts, some believe, with growth management policies that allocate urban land uses to cities.

Counties have seen significant shifts in the last ten years in sales tax revenue bases due to incorporation of **Q** cities and annexation of significant land area. In fact, statewide unincorporated population represents only **XX%** of the state total, a considerable shift from **XX%** only a decade. This statewide shift has been even more significant in individual counties such as King, Clark, Spokane, Yakima, **XXXXX**. In fact there are now **three counties where the incorporated population represents over 90% of the total county population – King, Franklin and Whitman.**

The passage of the Streamlined Sales Tax program by the 2007 legislature will shift some sales tax revenue from cities to counties and mitigate the impact of the change in “sourcing” laws for three counties increasing overall sales tax revenues to counties of an estimated \$ million dollars per year when fully effective or Y%. The largest shifts in revenue are occurring in the counties with the largest tax bases.

A number of sales tax exemptions or deferrals have been adopted by the legislature that effect county revenue by reducing tax receipts. **Some of the larger exemptions that effect counties are for industrial plant and equipment, new construction in certain industries or for specific types of projects and sales taxes on motor vehicles.** The 2006 legislature embarked on a multi-year sunset review of sales tax exemptions which, if implemented, may increase county sales tax revenue bases marginally over time. Most major sales tax exemptions are not subject to review. **Bob forwarded to me the attached 2004 DOR report on tax exemptions and a 1999 study on public and private land ownership statewide. The 2004 study on tax exemption shows: 140 sales and use tax exemptions that result in \$24B in taxpayer savings versus \$9.7B in collections or a 71% exemption rate**

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There are three sales taxes authorized by the legislature in recent years that only a few counties have enacted.

1. The emergency communications 0.1% sales tax (RCW 82.14.420) was authorized in 2002 and is restricted to use for emergency communications systems and facilities (not operations). **XX counties have failed** to receive voter approval of the tax after going to the ballot and nine have received voter approval. Not all counties have needed major updates to their systems and facilities since 2002. To date nine counties have levied the tax: Clallam, Grant, Grays Harbor, Jefferson, Kitsap, Lincoln, Skagit, Thurston and Whitman. This tax is on the ballot in Spokane County in November 2007.
2. The public safety 0.3% sales tax (RCW 82.14.450) was adopted in 2003. **YY** counties have placed this tax on the ballot with four counties approving: Walla Walla, Spokane, Whatcom and Yakima. This tax has not been widely approved by other counties to date because:
 - The revenue generated in limited tax base counties is extremely small, exceeding in some cases the cost of the election and administration. **Give Ferry Co example.**
 - The uses of the tax are limited to “new” service and can not be used to replace existing program funds.
 - Some border counties do not levy sales taxes beyond the basic rate due of their location adjacent to states with no or limited sales tax rates. Higher tax rates are seen as effecting sales volumes and reducing overall tax collections.
3. The mental health 0.1% sales tax (RCW 82.14.460) was adopted in 2005. The tax has been imposed in four counties: Clark, Island, Jefferson, Skagit, Spokane and Clallam. The tax has not been widely approved by other counties to date because:
 - The tax is new.
 - The revenue generated in limited tax base counties is extremely small, exceeding in some cases the cost of the election and administration. **Give Ferry Co example.**
 - The uses of the tax are limited to “new” service and can not be used to replace existing program funds.
 - Some border counties do not levy sales taxes beyond the basic rate due of their location adjacent to states with no or limited sales tax rates. Higher tax rates are seen as effecting sales volumes and reducing overall tax collections.

The transportation benefit, transit and public facilities sales taxes are levied for narrow purposes on behalf of special districts that may be created countywide. While the transportation benefit district, for example, may fund part or all of a county road project the creation of the benefit district requires actions of multiple jurisdictions. None of these taxes may be enacted to support general county government operations.

Findings:

- Over the last decade significant changes have occurred which make the counties “three legged stool” less stable through over reliance on property taxes – a boundary has been crossed for many counties which results in external forces controlling *both* the majority of revenue and service demand drivers. These forces are working in opposition, decreasing revenue base growth while

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increasing demand at the same time. *This conflict needs to be addressed by reducing county responsibilities or increasing revenue at the same time that assistance is provided to increase efficiencies and effectiveness.*

- Some counties with small tax bases under the current county revenue structure can not finance basic services even with maximum taxing authority.
- The environment that counties operate in today has changed since the existing tax system for counties was adopted. It used to be that if a county needed a better revenue base it could use its land use decision authority but much of this flexibility has been pre-empted or limited. Through an incremental series of changes, today's county funding system does not match the circumstance now facing counties.
- The counties revenue base has become increasing inelastic over the last decade significantly contributing to fiscal fiscally distressed and jeopardizing equal access across the state to basic services provided by counties as “agents of the state”. Increasing county revenue flexibility could include adding more elastic revenue to the counties revenue structure, changing non-supplanting language within existing revenue authority and changing restrictions on the use of special revenue fund interest earnings. Revenue elasticity is an important tool for counties to keep pace with service requirements and labor costs.
- State support to counties general fund, where many state agent services are funded, is limited to 3% a number much smaller than other state “agencies”. In addition, the state has not authorized counties to collect some of the same fees that other state agencies collect to offset the cost of service delivery.

County Financial Health and Governance Alternatives: A Study Requested by the Washington Legislature ANALYSES & FINDINGS

Financial Health of Counties in Washington State

In April 2006 the Office of Financial Management (OFM) requested that the Department of Community, Trade and Economic Development's Local Government Division assist them with an analysis, using contemporary methods, of local government financial condition in Washington's 320 cities and counties (see Appendix E).

Approach

A nationally recognized method of assessing local government financial condition was used to evaluate the financial fiscally distressed of Washington's counties and cities. The financial indicator method has been in use for over 30 years in individual local governments and in some states and has been refined with time. Ten key indicators of financial condition were selected for Washington cities and counties. These indicators were used to determine which jurisdictions in the state are experiencing the most financial stress based on data collected between 1994 and 2004. Data was collected from generally available state sources for all 39 counties and 281 cities. The group of selected indicators was balanced to reflect the health of each local government's revenue base, demand factors effecting local government service delivery, and financial results of operations.

The OFM study was reviewed by the CTED Advisory Committee. The Advisory Committee found that there were additional significant non-quantifiable factors that influence county fiscal health. The input of the Advisory Committee was combined with material from the OFM report on fiscal fiscally distressed to reach the following conclusions.

Conclusions

1. The financial condition of Washington's local governments generally declined during the 1994-2004 decade based on the selected stress indicators. Of the ten indicators of financial health: two improved over the decade, five showed decline, and three had mixed results or could not be comparatively measured. Continued monitoring of local government financial condition over time would increase the number of measures that could be comparatively measured. The ten indicators were:
 - Indicator 1: General Fund Revenue Per Capita
 - Indicator 2: Revenue Elasticity
 - Indicator 3: Cash Balance
 - Indicator 4: Proportion of Expenditures Used for Capital or Debt
 - Indicator 5: Proportion of Revenue Restricted for Specific Uses
 - Indicator 6: Property Tax Burden
 - Indicator 7: General Fund Operating Gaps

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- Indicator 8: Economic Condition
 - Indicator 9: Tax Base Condition
 - Indicator 10: Service Demand
2. The Advisory Committee concluded that:
 - Every county in Washington is fiscally distressed, the level of fiscally distressed and reasons differ and so may the solutions.
 - As an “agent of the state”, Counties have an inadequate tax base to meet basic service requirements and provide equal access to services across the state.
 - The indicators should be considered for use in light or in context of what counties have already done to make service and staff cuts to get to their indicator scores. Not all counties have made the same level of effort to cut costs.
 - The **best indicators** of county financial fiscally distressed are:
 - Restricted revenue (Indicator 5)
 - Revenue elasticity (Indicator 2)
 - Service demand with a change in how demand is measured to measures such as criminal case filings (Indicator 10)
 - Tax base condition (Indicator 9)
 3. Counties that had the largest number of stress indicators are generally smaller in population and are grouped in three areas of the state (northeast, southeast and south central/west).
 4. There is a high degree of overlap between the groupings of local governments with high levels of financial stress and local governments with low employment and personal income growth. Any programs that affect the economic health of these regions of the state over the long term may also improve the financial health of the associated local governments.
 5. The state of Washington has provided individual (Ferry County in 2005) and programmatic aid including SB 6050 Local Government Assistance to financially stressed local governments over time. Washington does not monitor or report on the financial condition of local governments based on consistently reported measures unlike some other states. State statutes provide for local governments to declare insolvency (RCW 39.64 Taxing District Relief and RCW 35.21.750 Public Corporations – Insolvency), but to date no county has used these statutes.
 6. During the last forty years nationally there has been operating insolvency or debt default by local governments in other states. These local governments have been temporarily re-organized, come under state or judicially ordered independent control, or found themselves subject to budget supervision by the state. Washington does have well defined protections in place for some high financial risk areas in local government operations that have caused significant financial issues for local governments nationally. Two examples are government funds investment restrictions and funded retirement programs. There are other areas of high financial risk however for Washington local governments.
 7. The state has an interest in the financial viability and effective management of local governments because they are a key partner in the delivery of state programs. Counties and cities are important strategic partners in the delivery of \$20.7 billion in non-education related

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governmental services in Washington (*Legislative Evaluation and Accountability Program, 2004*). The largest joint expenditures were for Criminal Justice - \$3 billion (33% state; 37% county; 30% city); Transportation - \$3.6 billion (46% state; 34% county; 20% city), and Health and Human Services - \$9.1 billion (94% state; 6% county; 1% city). States across the nation have a stake in local governments' fiscal health and condition since local fiscal crises can affect the state's bond ratings, the economic development potential of the state, and the quality and quantity of public services.

8. Re-aligning SB 6050 assistance to focus on the most fiscally distressed local governments in the short term may assist them to reduce their immediate level of fiscally distressed. It may be appropriate to evaluate distributing all or a portion of SB 6050 assistance in a manner that provides a larger proportion of assistance to the most stressed jurisdictions. Short term assistance may also provide a window of opportunity for these local governments to focus on strategies to eliminate their financial fiscally distressed over the longer term.
9. It is likely that SB 6050 assistance alone will not be sufficient to address the most fiscally distressed local governments' basic service delivery requirements because the amount of assistance in most cases is smaller than the local government's need.
10. The Advisory Committee identified some additional factors that they felt should be considered by the Legislature in assessing fiscal fiscally distressed that are difficult to quantify:
 - The impact of significant change in state polices that drive county service delivery or enforcement systems or levels of service. Examples include the Growth Management Act, criminal sentencing guidelines, transportation capacity requirements and storm-water quality standards.
 - Implications of land use and public ownership patterns guided by the Growth Management Act and other state or federal policy decisions on county sales and property tax base capacity.
 - Regionally differentiated impacts of major changes in revenue such as property tax limitations, the repeal of MVET, large annexations or city incorporations or radical changes in community economic conditions.
 - Legacy financial obligations that reduce county resources. Some examples include employee or retiree health or retirement benefits, environmental clean up requirements, law suit settlements, diversion of county road funds to criminal justice and impacts of delayed technology or capital infrastructure replacement.
 - Some counties have been less aggressive than others in County policy and/or management decisions that control or cut costs. Some examples might be labor agreements, pricing of contract services, level of service standards, funding of discretionary services, county initiated operating practices, large capital projects, accumulated debt or budget and cash management practices.
 - Significant changes in demand for high cost mandated services like criminal justice, human services, transportation, land use/environmental regulation or waste disposal.
 - Regional differences in economic vitality and diversification.

An Example – The Criminal Justice System

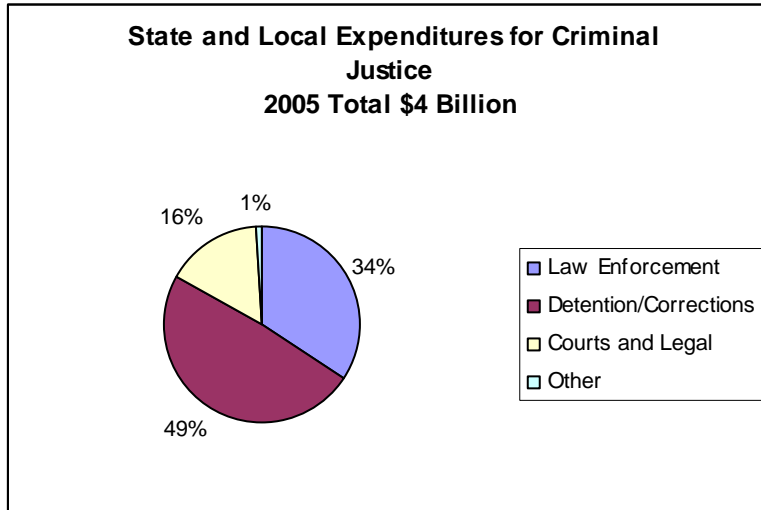
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There are a number of state policies that drive service delivery costs at the county level including, as examples, criminal sentencing policy as expressed in state determinate sentencing guidelines (effects county law enforcement, court and jail costs) and state tax exemption policy (effects property tax collection administrative and technology costs). These demand drivers are in conflict with policy changes that reduce county revenue, effect tax bases or limit the use of revenue. As an example of this core issue, the criminal justice system was examined. Criminal Justice represented \$1.1 billion dollars or 71.4% of county general fund expenditures statewide in 2006, these costs are in contrast to Assessor, Auditor and Treasurer expenditures which represented \$148 million dollars statewide.

Cite Local Government Financial Reporting System, State Auditor's Office

Looking at the funding of the criminal justice system at both the state and local levels one can see that it is a large system (\$4 billion dollars per year) with major responsibilities for different components distributed among the state, counties and cities (See Charts E and F).

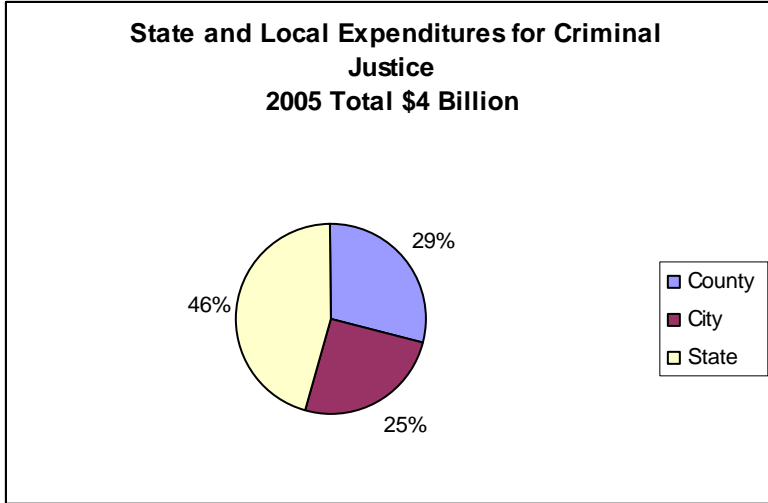
Chart E



Source: Legislative Evaluation and Accountability Program

Chart F

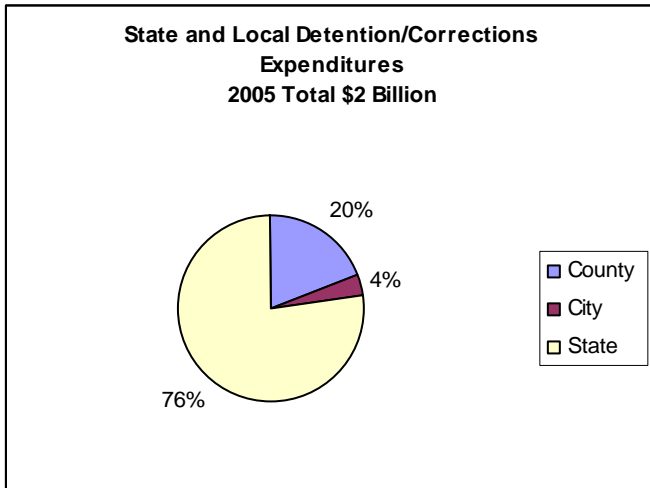
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Source: Legislative Evaluation and Accountability Program

The criminal justice system in Washington is currently designed so that responsibility for funding law enforcement falls primarily to local government with cities having primary financial responsibility in urban counties (see Chart H), the responsibility for funding the courts and legal representation falls primarily to the counties (Chart J) and the responsibility for funding detention falls primarily to the state (Chart G). *Each of the units of government however, has a funding and service delivery role, at least in part, within each of the components.*

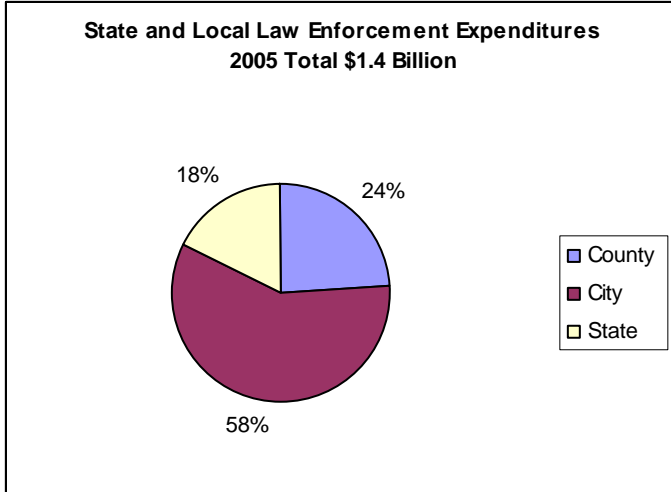
Chart G



Source: Legislative Evaluation and Accountability Program

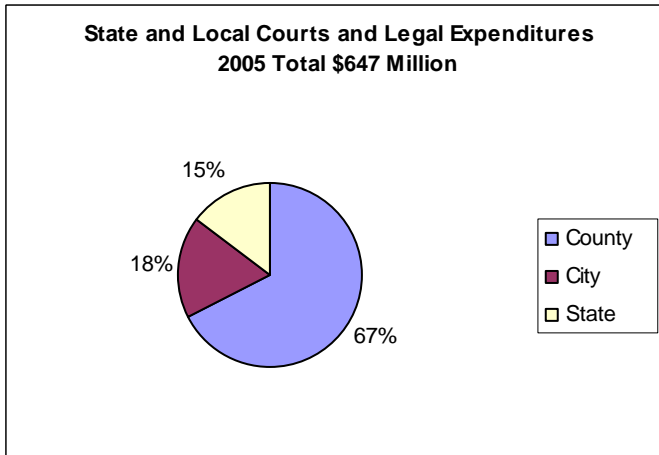
Chart H

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Source: Legislative Evaluation and Accountability Program

Chart I

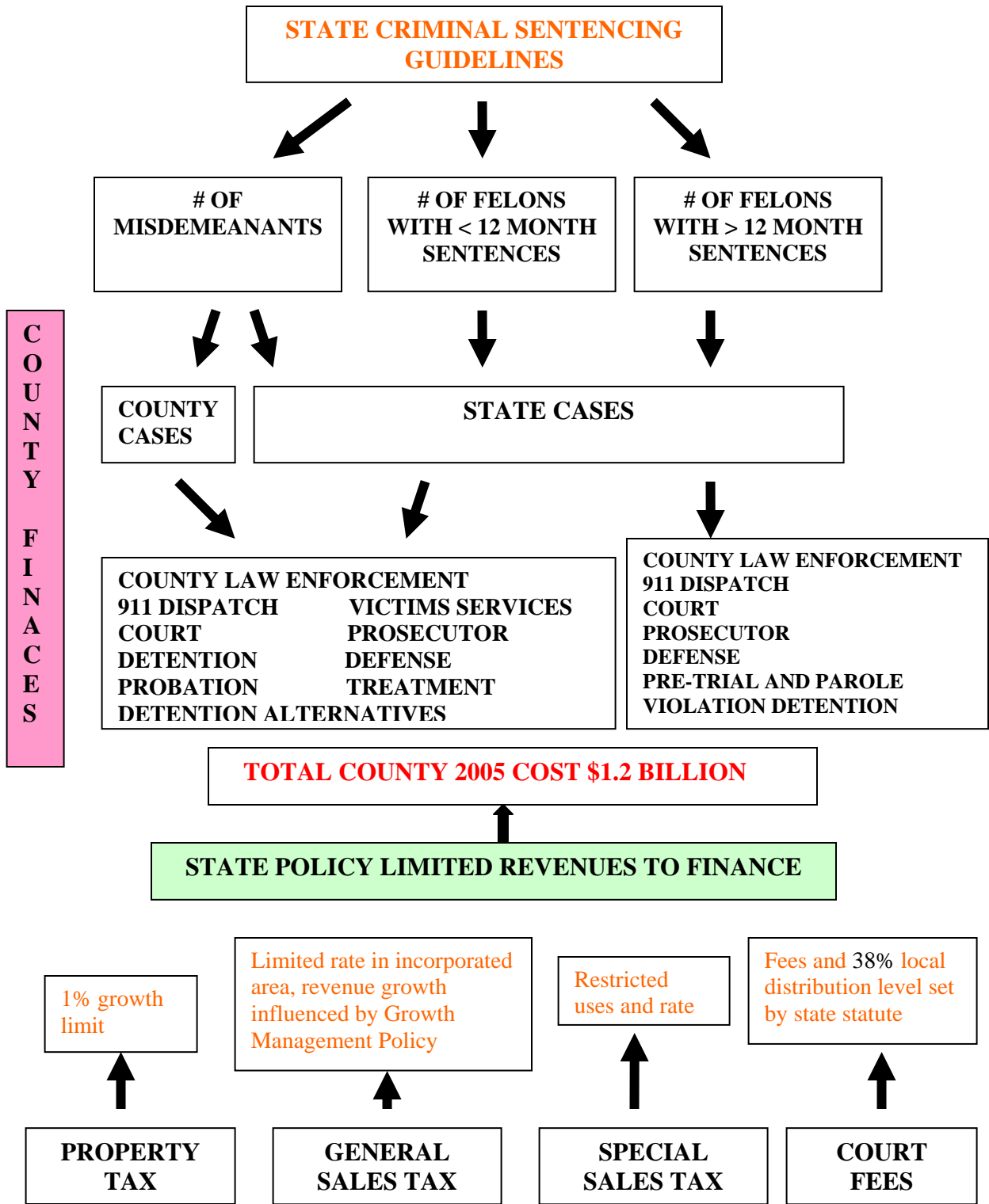


Source: Legislative Evaluation and Accountability Program

The counties, for example, fund and are responsible for parts of the both the misdemeanor and felon justice systems for adults and juveniles with emphasis on courts, legal representation and detention (see Chart J). The volume of cases processed by the county courts is influenced by the number of arrests by law enforcement of the cities, the county itself and the state together with the criminal justice statutes and determinate sentencing guidelines adopted by the state. The number of jail beds operated by the county is likewise influenced by the length and number of sentences received by offenders under the state determinate sentencing guidelines (see Chart K and L).

Chart J

CRIMINAL JUSTICE SERVICE SYSTEM DRIVERS

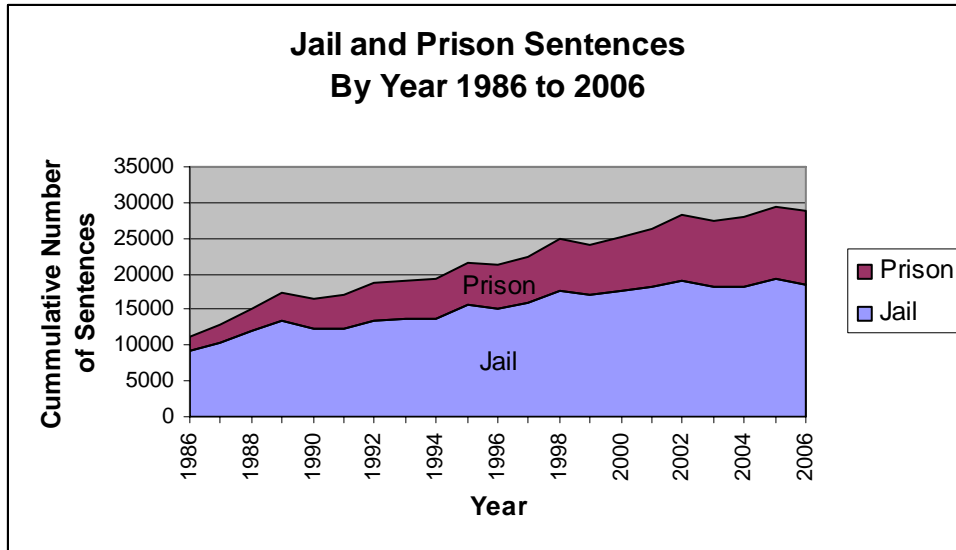


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The number and length of sentences under the state Sentencing Reform Act of 1984 have grown substantially until 2000 when the legislature began making policy changes which reduced average prison sentence length (see Charts K and L). These changes in sentence length primarily impacted some of the demand for prison beds (18,209 beds in 2006) . The demand for jail beds (12,633 beds in 2006), operated and funded by counties however was not, for the most part, affected.

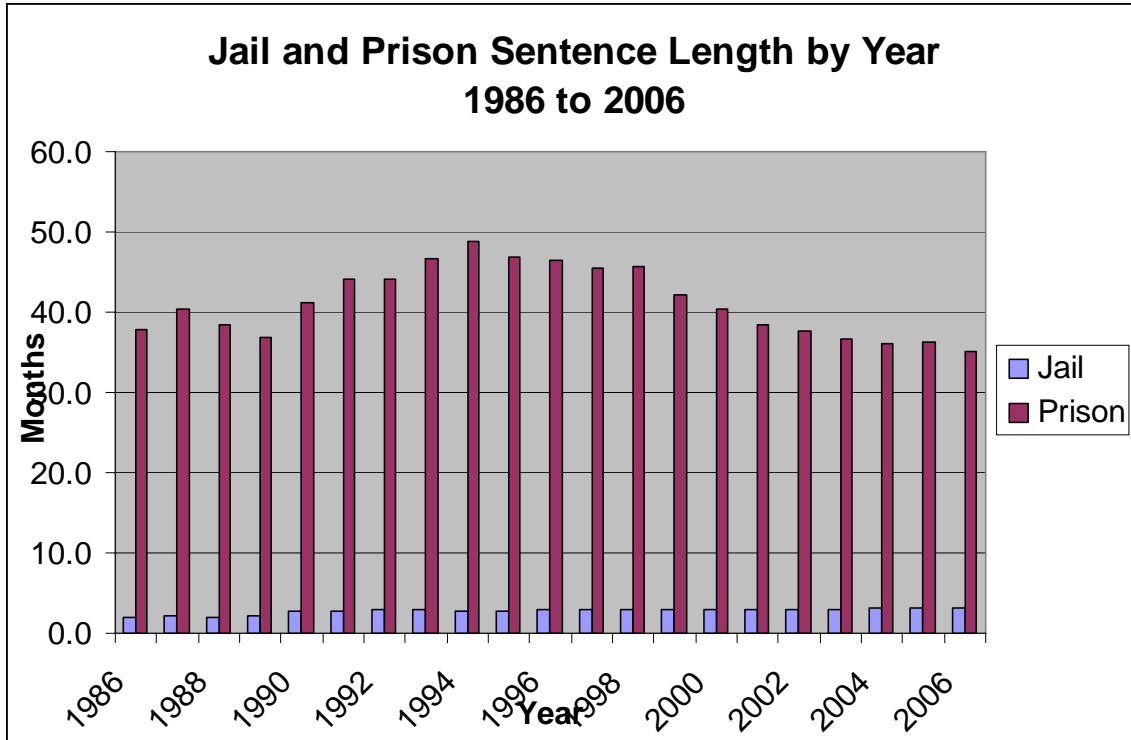
Cite WASPC and DOC for 2006 jail beds

Chart K



Source: Sentencing Guidelines Commission

Chart L



Source: Sentencing Guidelines Commission

Growth in the number and length of sentences since 1986 affects county jail costs in four ways:

- The number of felony sentences partially or fully served in jail has increased over all regardless of whether the full sentence is eventually served in jail or prison increasing the demand for felony jail beds pre-sentence for all felony classes and post sentence for those felons with jail sentences of twelve months or less.
- The increase in the number of felons in jails is coupled with an increase in inmate health costs driven in large part by the health issues of drug offenders as they enter the detention system through county jails.
- After the passage of the Offender Accountability Act the use of jail beds by prison community supervision violators substantially increased.
- The number of misdemeanor sentences with a jail component has increased demand for misdemeanor beds especially post sentence.

The combination of these four impacts was not mitigated by the policy changes that were made by the state to reduce prison sentence length because pre-sentence and post prison release felon use of county jails occurs either before or after detention in prison. Counties therefore have not seen any relief from the effects of the increased number of sentences generated by the state Sentencing Reform Act. The average length of stay for a pre-sentence felon in King County jail for example was 23.4 days in 1996 and 52 days post sentence. In 2005 the average length of stay pre-sentence had increased to 27.6 days and post sentence to 78.7 days.

[Cite King County Department of Adult and Juvenile Detention web site](#)

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Because of older county software systems, there is not a solid record of the number of prison bound felons that use county jails statewide. However it is possible to make some estimates based on available data. In 2006, an average of 57% of county jail daily population were felons. Felons that will eventually go to prison after sentencing or violated conditions of community supervision represent a large proportion of county jail capacity statewide. **In 2006 between 24% (low estimate) to 38% (high estimate) of average daily county jail capacity was occupied by felons that will eventually go to prison after sentencing or have violated conditions of community supervision. This means that 2,800 to 4,600 prison bound felons occupy county jail beds** on an average day at a cost of from \$75 million per year (low estimate) to \$120 million per year (high estimate). These costs are based on an average statewide jail bed cost of \$73 per day.

Cite Local Government Fiscal Note Program Jail Cost Survey, 2006; WASPC jail data and King County Detention Department data

Counties have adapted to increased criminal justice costs, including law enforcement, court, legal representation and detention (81% increase over the decade, compared to 21% for Assessors, Auditors and Treasurers) by reducing or eliminating the few discretionary services that counties provide or by diverting county road fund property taxes to criminal justice expenses. For example, expenditures per capita for parks and recreation and general fund investments in infrastructure including technology *decreased* over the decade for all counties in aggregate statewide while diversion of road taxes increased.

Cite Local Government Financial Reporting System, 2005, State Auditor's Office. OFM Fiscal Stress Study page 28

It is widely felt, that county jails are populated by a disproportionate number of mentally ill and/or chemically dependent offenders (estimates fall between one half and two-thirds of all offenders) that may be handled more effectively and efficiently using other methods either in whole or in part resulting in significant short term and long term overall reductions in criminal justice costs. Washington's human service system is primarily funded by the state.

Cite Local Government Fiscal Note Program fiscal note for 2005 SB 5763, Omnibus treatment of mental and substance abuse disorders act, Session Laws Chapter 503.

Findings:

- Counties bear one third of the total cost of the state's criminal justice system (\$1.2 billion in 2005). They have primary responsibility for the courts, legal representation and the intake including medical costs of all classes of felony offenders.
- State determinate sentencing policy and the effectiveness of city law enforcement are driving factors in service demand heavily impacting county criminal justice costs. State policy also is a determining factor in the level of revenue available to pay for service delivery. These demand drivers are in conflict with policy changes that reduce county revenue, effect tax bases or limit the use of revenue.
- Counties have not seen any relief from the effects of the increased number of sentences generated by the state Sentencing Reform Act. The average length of stay for a pre-

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sentence felon in King County jail for example was 23.4 days in 1996 and 52 days post sentence. In 2005 the average length of stay pre-sentence had increased to 27.6 days and post sentence to 78.7 days.

- County efforts to be more efficient and effective in the criminal justice arena are heavily dependent on the cooperation of other stakeholders in the system.

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

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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, tribes, 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, tribes, 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

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partners work together and the tools 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
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 including technology; and diverted road funds to criminal justice 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	80% of counties have centralized services in place for payroll, benefits programs and risk management. 45% of counties have centralized information technology, 20% or less of counties have centralized services for all departments in training, personnel, budget, 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 often expensive technology expertise and fund technology only sporadically or when grants or dedicated revenue is available. (3)
Create alliances that strategically improve outcomes	Engage in intergovernmental and/or joint 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. Over

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<p>and/or reduce unit costs</p> <p>Create “seamless end to end” service for customers</p> <p>Apply “best practice” management practices</p>	<p>Consolidate service delivery among work units that serve the same customer and/or create web services and other “seamless” processes using automation.</p> <p>Selection and training of Commissioners, separately elected county officials and appointed department heads</p>	<p>1,300 such agreements were documented in the county official survey statewide. (2)</p> <p>Counties have begun to consolidate services that deal with property based or at risk populations. Examples include combining public works, planning and building functions; assessor, treasurer, auditor customer service functions; and chemical dependency, mental health and public health functions.(2)</p> <p>Commissioners and many department heads are elected and come from varied backgrounds. 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)</p>
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Sources:

- 1) Local Government Financial Reporting System, State Auditor’s Office
- 2) County Official 2007 Survey, Appendix H, Questions 12, 13 and 16
- 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 for funding or other resources/actions and some, the counties could undertake independently.

County efficiency and effectiveness improvement opportunities	Implementer(s)
Strengthen county leadership in order to undertake significant efficiency and effectiveness improvements	State and Counties
Increase the number of county leaders trained in best management practices	State and 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 while increasing interoperability with each other and the state.	Counties
Establish a partnership with the state to redesign business	Counties and State

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processes where state statute or regulation significantly inhibits implementation of efficiency or effectiveness improvements.

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 including transformation of systems to provide “seamless end to end” service. Counties and State

Invest in sustained efforts to improve county business processes including technology. State and Counties

The opportunities available for counties to improve efficiency and effectiveness into the future suggest the exploration of several strategies, some with governance implications.

Increase the number of county leaders using “best management practices”

- Strengthen county executive powers in order to institute significant efficiency and effectiveness improvements
- Increase the number of county leaders that are trained in best management practices

Expand joint service delivery to strive for cost reductions and seamless service

- Centralize and/or automate additional county internal services
- External

Talk about what is already being done from the survey, discuss interoperability opportunities/implications, discuss other barriers, give some examples of the next generation like regional jails,

Re-design key county/state business processes to improve efficiency and effectiveness applying appropriate technology and interoperability standards

- Work jointly on business process redesign projects to maximize access to scarce technology expertise and minimize costs
- Make changes to existing state statutes that block streamlining efforts or inhibit improved effectiveness in service delivery in parallel with business process improvement projects

The Advisory Committee concluded that constraints imposed by the state on “how” a county conducts its service delivery often prevents counties from operating in a more efficient manner both regionally or within their own county. Business can be more efficient because it has greater control over “how” their product is made or the processes they use.

Add a section on focus of improvements -- The Assessor, Treasurer, Clerk and Auditors proportion of the county general fund budget is small compared to other costs such as criminal justice. Consolidating one or more of these offices will have relatively little financial impact as a result. From AC previous sentence and survey.

AC comments:

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- The state adds process requirements, planning programs and other procedures that cost money to implement and in effect increase county overhead. These costs do not contribute to the efficiency or effectiveness of service delivery.
- Where population centers are aligned regionalization will likely have the “biggest bang for the buck”. Regional or statewide software was also mentioned as having great potential for adding efficiency.
- Efficiency can not always be measured in dollars and cents.
- Material from the WACO “think tank” document outlining efficiency actions that have already been taken by counties and the large number of joint service agreements should be included to better educate Legislators about what counties are doing.

NEED TO INSERT A SECTION ON THE OUTCOMES FROM STUDY COMPONENTS

County Governance Alternatives

Twenty county governance alternatives were identified as a result of input from the Advisory Committee, reviewing governance options implemented in other states (see Appendix C) and an analysis by the project’s special assistant attorney general of the options available under the Washington’s constitution and statutes (see Appendix D). These twenty alternatives were evaluated by project staff with input from the Advisory Committee based on the criteria of:

- Improves County flexibility to implement service delivery
- Supports efficiency and effectiveness
- Impacts on independence of separately elected county officials

The twenty alternatives are shown below. The shaded alternatives (some were combined in discussion to create a total of six) were selected for further evaluation based on discussions with the Advisory Committee and Committee consensus.

Each of the six selected alternatives included features that were viewed as positive by at least some members to the Advisory Committee. The six alternatives also embodied the governance alternatives most discussed by counties over the last decade and most desired by county officials to improve efficiency and effectiveness of county government (see Question 18 and 19, County Official Survey, Appendix H).

**Evaluation of Potential County Governance Alternatives
Based on Screening Criteria**

0 = Neutral Impact; + = Positive Impact; - = Negative Impact

	Governance Alternative Name	Increases County Flexibility	Supports Efficiency and Effectiveness	Impact on Independence of Separately elected county officials
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A. Strengthen the existing Commission form of government				
1	Strengthen the Executive powers of the Commission by specifying additional executive functions including authorizing multi-county or regional service delivery	+	+	-
2	Assign current statutory elected county department head functions to the Commission who could then delegate to Commission determined officers	+	+	-
3	Establish a statutory Commission/Appointed Manager form	0	+	0
4	Establish a statutory Commission/Appointed Administrator form	0	+	0
5	Establish a statutory Commission/Appointed Administrative Assistant form	0	+	0
B. Legislative reform of county structure by statute				
6	Classify counties by population and combine duties of two or more separately elected county officials, including a five member County Commission for larger counties.	+	+	-
7	Combine duties and reduce the number of separately elected county officials for all counties.	+	+	-
8	Assign specific county functions to multi-county regions or districts (following the Educational Service District model)	-	+	-
9	Pooling of staff among separately elected county officials within a single county	-	+	-
10	Pooling of staff to perform specific county functions across counties	-	+	-
11	Provide statewide fiscal incentives for counties to institute governance reforms	+	+	-
C. Reform of County Governance Structure by constitutional amendment				
12	Add a provision to create or amend a County Charter through Commission or voter petition	+	+	0

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	initiated appointment of a “County Governance Commission” that would propose the charter or amendment for voter approval.			
13	Add a provision to create or amend a County Charter through Commission or voter petition initiated appointment of a “County Governance Commission” that would propose the charter or amendment for voter approval. The proposals would be limited to modifying only state statutory governance provisions.	+	+	0
14	Add a provision that would provide for commissioners to be elected from municipalities.	0	0	0
15	Add a provision to create a non-freeholder Charter County through Commission action after an advisory ballot.	+	+	-
16	Add a provision that would authorize a non-freeholder, voter approved Model Charter Five Member Commission/Elected Executive Optional Form (Model Charter County).	+	+	- or 0
17	Add a provision that would authorize a non-freeholder voter approved Model Charter Five Member Commission/Manager Optional Form (Model Charter County)	+	+	- or 0
18	Reduce the number of constitutional elected county department heads	+	+	-
19	Remove the “uniformity” requirement in the state Constitution so that the Legislature could provide local options for county structure which could include multi-county functions	+	+	- or 0
20	Provide for the consolidation of functions among counties with one jointly elected officer	+	+	- or 0

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Evaluation of Short List of Alternatives

The six remaining alternatives fall along a continuum of change starting with strengthening the current county governance system and ending in changes that would alter county governance provisions of the constitution to provide an opportunity to transform county government over time.

CHANGE THE LETTERING SYSTEM TO BE CONSISTENT WITH THE RECOMMENDATIONS

Strengthen the existing Commission form of government

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

How would this alternative work?

Modify existing statutes that specify the powers and duties of the county Board of Commissioners (RCW 36.32.120 and RCW 36.40) to include broader executive powers. These powers might include the authority to approve and enforce county wide administrative policies and procedures (such as personnel, labor relations, training, risk management, fiscal including budgetary, information technology and contracting policies and procedures etc); authority to appoint and dismiss department directors that are not elected; authority to request the County Prosecutor file appropriate actions to declare an separately elected county officials position vacant under RCW42.12.010; authority to implement performance audits, organizational or management studies or business process improvement studies and implement study recommendations within or among any county department(s); authority to implement multi-year county wide facility, technology or equipment plans; and the authority to implement or direct any countywide management or fiscal program or policy that is in the best interest of the county. Separately elected county officials would continue to retain authority to hire and fire employees within their own departments.

In addition, by general laws, the county through its executive and legislative authority would be authorized to negotiate, approve and implement inter-governmental service or operating agreements including agreements between two or more counties to undertake or provide service delivery, regulatory or enforcement programs including enforcement programs involving commissioned officers. Inter-governmental agreements could include agreements among counties or counties and the state that involved special revenue funds including the County road fund.

This alternative does not modify, by combining or eliminating, any separately elected county official.

This alternative would be implemented by the Legislature through the regular legislative process.

Current law

RCW 36.32.120 (Powers of Legislative Authorities) and RCW 36.40 (Budget)

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Changes to existing governance system

This alternative strengthens the executive powers of the Commissioners by granting explicit authority to undertake various activities county wide or between counties. While many counties already cooperate across all departments, larger scale or cross department efficiency or effectiveness improvements may only be possible with strong leadership from the Commissioners.

This alternative may be seen as reducing the independence of both separately elected county officials and appointed department heads to manage the affairs of their departments by requiring cooperation with countywide and intergovernmental programs including performance audits and business process improvement projects initiated by the Commissioners.

Evaluation

Being the oldest form of county government, the commission form, not surprisingly, has both many supporters and detractors. Supporters argue that the form's longevity is evidence of its adaptability and effectiveness. Detractors say that the persistence of the commission form in county government owes more to the effects of inertia and the ability of entrenched officials to thwart reform efforts. Expanding the executive powers of the Commission may therefore be seen as improving a tried and true governance form or expanding an outdated out dated form.

Proponents of the commission form of government argue:

- Longevity – the commission form is the traditional structure of county government. It is the county form with the longest history.
- The commission plan brings government administration close to the people through the independent election of government department heads; therefore, it is the most democratic form of government.
- The independent election of multiple officials provides a broad system of checks and balances greatly reducing opportunities for government corruption.
- The combination of legislative and executive authority in the board of commissioners promotes unified policy-making and administration and helps to avoid the types of conflicts that characterize other forms.
- This form of government is more responsive to citizens since commissioners have the executive and administrative powers to implement the laws they enact.

Opponents of the commission form argue:

- The commission form, which predates the American Revolution, is antiquated and cannot, therefore, effectively address complex contemporary needs.

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- The lack of a centralized executive authority and the existence of multiple separately elected county officials interferes with administrative coordination and results in inefficient and ineffective service delivery.
- The commission plan lacks accountability since responsibility for executive functions is so diffused.
- The increased complexity of county government make administration by the citizen legislator (commissioner) no longer feasible. The commission plan lacks professionalism.
- It is nearly impossible for citizens to know the myriad, functional officials they are electing. Frequently “separately elected county officials” are elected term after term without opposition. This concentrates the selection of officers in the hands of political parties and special interest groups.

Cite Page 9-10 of MRSC report

Impacts of proposed change

Specific impacts	Pros	Cons
County efficiency and effectiveness	Creates explicit executive powers for non-charter county Boards of Commissioners to initiate and carry out efficiency or effectiveness improvements countywide. Under the “Dillon Rule” as it applies in Washington the County Commissioners have only those powers that are delegated to it by the Legislature.	
County service implementation flexibility	Assists counties to be more efficient or effective when a county can determine “how” services are delivered under existing state statute and regulation by clarifying the authority of the Commissioners to initiate and implement such efforts.	This alternative does not modify existing state laws or regulations about “how” county services are delivered that may limit delivery methods or streamlining.
Fiscal Impacts	Provides the authority but	In order to initiate one or

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	does not mandate the implementation of multi-jurisdiction service agreements, policies, procedures, studies and plans that may lead to cost savings. No elections or added staffing is required of the counties.	more efficiency or effectiveness program many counties may require additional funding.
Public benefit including service delivery benefits	The County Commission is currently responsible for carrying out each county's business, "audit(ing) the accounts of officers" and "managing the county's funds" (RCW 36.32.120). The public can potentially be better served by the Commission having additional "tools" authorized by the Legislature to carry out these functions.	
Checks and balances	This alternative would strengthen the executive powers of the Commission to administer and oversee the operations of the county as a whole but does not change the "checks and balances" between County Commissioners and other separately elected county officials.	The alternative stops short of allocating the same executive powers to the Commission as are currently vested in the Governor or a County Executive or a city Mayor or Manager.

What can we learn from other states or Washington charter efforts related to this alternative?

There has been a national trend over several decades to provide governance options for counties that include a stronger centralized executive role. **In fact over the last decade more Washington counties have discussed creating an executive, either appointed or elected, than any other governance change (see question 19, County Official Survey Appendix C).**

Most Charter Counties in Washington have provided for an elected County Executive or an appointed executive with separate powers to administer county government and implement the policy decisions of the county legislative body. This division of responsibilities, with its "check

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and balances” between the executive, legislative and judicial branches is different than non-charter counties. In non-charter counties the County Commissions play a dual role of legislative and executive, sharing the executive role with a larger group of separately elected county officials.

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Alternative B – Establish the Commission/Appointed Manager or Administrator form by state statute.

How would this alternative work?

The Legislature in statute would explicitly provide for the option to appoint, in non-charter counties, a County Manager or County Administrator. Clark County provided its county code provision as a potential model for a state statute. The Clark County code includes the following features:

- A position is created in county government which shall be known as County Administrator and designated as Chief Administrative Officer of county government. Said position shall be appointed by the Board of County Commissioners.
- The County Administrator shall be a person having demonstrated administrative and executive ability as shown by at least five years of experience in private or public employment in a responsible or executive position of a similar size organization or larger requiring the planning and execution of work programs of government operations, the budgeting and control of expenditures, and the coordination of multiple activities, and who shall conform substantially to the requirements of a job description for said position attached herewith and made part hereof.
- The County Administrator shall serve at the pleasure of the Board of Commissioners.
- The County Administrator shall generally advise, assist, act as agent for and be responsible to the Board of Commissioners for the proper and efficient conduct of the administrative affairs of the county as are placed in his/her charge by the Board of Commissioners. He/she shall be responsible for the enforcement of ordinances, orders, or regulations as directed by the Board of Commissioners. All appointed Department Heads under the jurisdiction of the Board of Commissioners shall report to the County Administrator.
- In order to serve effectively, the County Administrator shall:
 - Recommend a balanced annual county budget and exercise continuous budgetary supervision in conjunction with the director of the budget;
 - Confer with and assist all department heads and receive reports of the activities of such departments under the jurisdiction of the Board of Commissioners;
 - Recommend improved or standardized procedures;
 - Assist in the coordination of the functions and work of all officers, committees, institutions, and departments of the county, and devise ways and means whereby, efficiency and economy may be secured in the operation of all offices, institutions, departments and their functions;
 - Conduct continuous research in improved administrative practices;
 - Represent the county in its intergovernmental relationships as directed by the Board of Commissioners;
 - Recommend long-term plans of capital improvement with accompanying financial plans;
 - Direct the enforcement of human resource policies and practices through a central Human Resources Department;
 - Examine regularly at periods fixed by the Board of Commissioners of accounts, records, and operations of every commission, department, office, and agency under control of the Board of Commissioners and report these findings to the Board of

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- Commissioners. On a regular basis he/she shall make recommendations to the Board of Commissioners for action to be taken relative to the efficient operation of the county, the betterment of public service, and the future needs of Clark County.
- Direct the purchase of all property, equipment, supplies, services and related contracts and the enforcement of the Purchasing Ordinance through the General Services Department;
 - Develop financial plans in which revenues and expenditures are forecasted against anticipated county growth;
 - Manage county-owned property and facilities, as directed by the Board of Commissioners.
- The County Administrator may employ assistants as the Board of Commissioners may authorize.
 - No provision of this Section is intended to vest in the County Administrator any duty or grant to him/her any authority which is vested by general law or county ordinance in or on any other county officer or employee. No provision of this Ordinance shall be construed to delegate to the County Administrator any authority required to be performed by the Board of Commissioners, nor shall the County Administrator have the power to bind, obligate, nor to commit the County in any manner, except as provided herein or by the express grant of authority by the Board of Commissioners. It is the intention of the Board of Commissioners in adopting this Ordinance only to create a position to which may be delegated certain administrative duties to be performed in and under its direction.

This alternative does not modify, by combining or eliminating, any county separately elected county officials.

This alternative would be implemented by the Legislature through the regular legislative process.

Current law

RCW 36.32.120 (Powers of Legislative Authorities) and RCW 36.40 (Budget)

Changes to existing governance system

This alternative adds the knowledge and skills of a professional manager to the executive team of a county. The position may be used by the Commissioners to coordinate with separately elected county officials decreasing the need for one-on-one meetings between each Commissioner and separately elected county officials on operating issues. The requirement to recommend a balanced budget shifts the responsibility for a producing a recommended budget, likely with policy alternatives developed for the Commissioners to debate, from the Commission itself to the Administrator. The Commission is thereby provided more opportunity to exercise its legislative and accountability functions.

Some may see the addition of a county administrator/manager as an intrusion on the executive powers of separately elected county officials.

Cite Page 11 and 12 or MRSC Report

Evaluation

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Proponents of the commission/council-appointed administrator form argue:

- The separation of policy making and administration removes political influence over administrative matters.
- Since managers are appointed rather than elected, greater attention can be given to selecting a qualified manager.
- The pool of qualified candidates is larger since county managers are usually paid better than commissioners/council members and candidates may be recruited from outside the county, including a nationwide search. (Elected officials must be a resident of the county prior to their election.)
- An appointed administrator usually brings professional training, skills, and credentials which may result in professional, administrative leadership.
- Since managers are appointed not elected, they are less likely to have political obligations affecting the quality of their administration.
- Emphasis is placed on the role of the legislative body and its policy-making function. The commission or council is free to pursue policy development while the administrator handles the day-to-day business of county government.
- Since the manager serves at the pleasure of the commission/council without a definite term, he/she can be removed at any time should he or she fail to carry out the duties of the position or meet performance expectations, limiting the danger of an abuse of authority.
- Greater control over budget and quality of service delivery is possible under the supervision of the administrator.

Opponents of commission/council-appointed administrator form argue:

- This form gives too much power to one person – the administrator.
- An appointed administrator, often chosen from outside the county, may not know the community.
- Commissions/councils may leave too much decision-making to the appointed administrator, who is not directly accountable to the public.
- Citizens may be confused about who is in charge. Most expect elected officials to respond to their problems.
- Appointed administrators have a tendency to leave when offered higher salaries and greater responsibilities in other local governments.
- An appointed administrator is dependent upon the strength and cooperative spirit of the county board and may find it difficult to take effective action when the county board is split.
- An appointed administrator may find it difficult to provide policy leadership on important issues facing the county. If the administrator takes a passive role, inaction

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may result. If the administrator becomes an agent to shape public opinion behind an issue, he or she is vulnerable if the board takes a different stand.

Cite Page 12 and 13 of MRSC Report

Impacts of proposed change

Specific impacts	Pros	Cons
County efficiency and effectiveness	Creates explicit executive powers for a non-charter county Chief Administrative Officer to initiate and carry out efficiency or effectiveness improvements countywide. Under the “Dillon Rule” as it applies in Washington the County Commissioners have only those powers that are delegated to it by the Legislature.	
County service implementation flexibility	Assists counties to be more efficient or effective when a county can determine “how” services are delivered under existing state statute and regulation by clarifying the authority of the Administrator to initiate and implement such efforts.	This alternative does not modify existing state laws or regulations about “how” county services are delivered that may limit delivery methods or streamlining.
Fiscal Impacts	Provides the authority but does not mandate the implementation of a county manager/administrator or management initiatives that may lead to cost savings. Increased management costs may or may not be offset by savings resulting from efficiency or effectiveness improvements, avoidance of legal claims or other actions that result from the addition of a professional manager	Counties would likely employ a County Administrator or Manager as a new position in county government increasing management costs. In order to initiate one or more efficiency or effectiveness program many counties that are fiscally stressed may require additional funding.

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Public benefit including service delivery benefits	with knowledge of best management practices. The County Commission is currently responsible for carrying out each county's business, "audit(ing) the accounts of officers" and "managing the county's funds" (RCW 36.32.120). The public can potentially be better served by the Commission having additional "tools" authorized by the Legislature to carry out these functions.	The alternative stops short of allocating the same executive powers to the Commission and its Administrator as are currently vested in the Governor or a city Mayor or Manager.
Checks and balances	The existing "check and balance" system among the Commissioners, Judges and separately elected county officials in Washington non-charter counties allocates to each a piece of the executive powers vested in one executive position in state government, some charter counties and cities. This alternative would strengthen the executive powers of the Commission to administer and oversee the operations of the county as a whole using the assistance of a professional manager.	

What can we learn from other states or Washington charter efforts related to this alternative?

There has been a national trend over several decades to provide governance options for counties that include a stronger centralized executive role. In fact, over the last decade, more Washington counties have discussed creating an executive, either appointed or elected, than any other governance change (see question 19, County Official Survey Appendix H).

Most Charter Counties in Washington have provided for an elected County Executive or an appointed executive with separate powers to administer county government and implement the

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policy decisions of the county legislative body. This division of responsibilities, with its “check and balances” between the executive, legislative and judicial branches is different than non-charter counties. In non-charter counties the County Commissions play a dual role of legislative and executive, sharing the executive role with a larger group of separately elected county officials.

Based on an informal survey of states with alternative forms of county government, the county commission/county manager form of governance is the most recommended by Executive Directors of County Associations.

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

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 of county associations 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.

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Legislative reform of county structure by statute

Alternative D – Reduce the number of separately elected county officials 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.

How would this alternative work?

The alternative involves the combining of duties for two or more separately elected county officials for counties in specific population classes. The Legislature would adopt a statute following the regular legislative process as outlined in the memo from Hugh Spitzer page 4. Hugh provides an example in his memo of how combined offices could be accomplished by the legislature by statute but the position titles are fictitious. As an example for evaluation of the position combinations and population classes the following is offered:

Core County Positions

Five County Commissioners (elected by all the voters in the county, part time, reside in districts)
Superior Court Judge(s)
Sheriff
Prosecuting Attorney
Treasurer
Clerk
Assessor
Auditor
Coroner/Medical Examiner
Total of 13 positions

Positions in Counties of up to 50,000 in population (17 Counties)

Three Commissioners (performing the duties of five part time)
Superior Court Judge(s) (includes the duties of clerk)
Sheriff
Prosecuting Attorney (includes the duties of coroner)
Treasurer (includes the duties of auditor and assessor)
Total of 7 positions

Positions in Counties of 50,000 to 150,000 population (10 Counties)

Five County Commissioners
Superior Court Judge(s) (includes the duties of clerk)
Sheriff
Prosecuting Attorney (includes the duties of coroner needs more work re: medical examiner)
Treasurer (includes duties of the auditor)
Assessor
Total of 10 positions

Positions in Counties of 150,000 population or greater (6 Counties)

Core list of 13 County Positions

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This alternative does modify, by combining or eliminating separately elected county official positions.

This alternative would be implemented by the Legislature through the regular legislative process.

Current law

RCW 36.16 to 36.35 and RCW 68.50 related to the functions and positions of appointed county department heads and separately elected county officials.

Changes to existing governance system

This alternative increases the size of the county legislative body to five part time Commissioners and merges or consolidates the functions of some separately elected county officials in smaller counties. The separately elected county officials of treasurer, auditor and assessor are consolidated into one or two positions depending on County size and the positions of Judge and Clerk are merged in smaller counties. This merger would move the clerk into the judicial branch.

Evaluation

Increasing the Size of the Legislative Body

Legislation was enacted in 1990 allowing any county with a population of 300,000 or more the option of increasing the size of the board of county commissioners from three to five. The only non-charter counties that meet this size threshold are Spokane and Clark. Neither county has used this option, which appears to violate Article XI, Section 5 of the constitution. (Lundin, p. 54. He cites AGO 1979 L.O. No 8, that opined that similar legislation was unconstitutional).

Except for Clallam County, all of the charter counties (King, Pierce, San Juan, Snohomish, and Whatcom) have opted for larger councils. Those who argue this point would generally say that a larger number of commissioners might be “more” representative. Each council member represents a smaller number of voters, and hence voters might feel that their elected representatives are more accessible. There is a practical advantage to a larger body operating under the Open Meetings Law. Since two commissioners constitute a quorum of a three-member legislative body, they must take great care not to discuss county business when meeting one-on-one.

Reducing the Number of Elected Versus Appointed County Officials

Several counties that have adopted charters with the county executive form of government have made some of the functions of the formerly separately elected county officials appointed positions. Those who favor separately elected county officials, argue that this provides direct responsibility to the citizens of the county. These are perhaps the most frequently heard and loudest arguments for electing row officers: “They report directly to the people,” and “The people have direct control.”

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Those who favor appointed department heads argue that appointment by skill and ability outweighs direct election. They support their argument by indicating that the functions of the row officers are spelled out in statute and are clear.

There appears to be no study that objectively bears out either point.

[Cite Page 15-16 of MRSC report](#)

Impacts of proposed change

Specific impacts	Pros	Cons
County efficiency and effectiveness	Merges county functions that are within the same service systems (eg budget and finance system, court system or tax collection system) which may facilitate implementing efficiency or effectiveness improvements in those systems that would currently be in departments headed by separately elected county officials.	Does not directly improve the executive powers of counties to implement cross department or function efficiency or effectiveness initiatives.
County service implementation flexibility	Would consolidate some functions that are within the same service system providing some added opportunity for service improvements.	This alternative does not modify existing state laws or regulations about “how” county services are delivered that may limit delivery methods or streamlining.
Fiscal Impacts	There are some limited opportunities for cost savings due to staffing reductions in larger counties when the assessor, auditor and treasurer functions are merged (See Appendix F). The merger of clerk and judicial functions provide for more opportunity for cost savings.	Merger of assessor, auditor and treasurer functions in smaller counties was not found to provide cost savings (see Appendix F). Some counties may have additional costs for a part time five member county legislative body versus a three member full time commission.

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Public benefit including service delivery benefits	Could facilitate the streamlining of systems that currently operate across department lines such as tax collection, property records, budget and financial reporting and Superior court operations.	May decrease the number of jobs in counties with limited employment bases. Fewer separately elected county officials may be seen as creating less transparency in county functions and less direct accountability to the public.
Checks and balances	The existing “check and balance” system among the Commissioners, Judges and separately elected county officials in Washington non-charter counties allocates to each a piece of the executive powers vested in one executive position in state government, some charter counties and cities. This alternative reduces the number of separately elected county officials that share executive powers with the Commission in smaller and medium size counties.	Internal financial controls common to cities and other local governments may need to be put into place in counties to substitute for fraud protections afforded by separate offices. Shifts the county clerk from the executive branch to the judicial branch which may be seen by some as a pro and some as a con.
	Shifts the county clerk from the executive branch to the judicial branch which may be seen by some as a pro and some as a con.	

What can we learn from other states or Washington charter efforts related to this alternative?

Several counties that have adopted charters with the county executive form of government have made some of the functions of the formerly separately elected county officials appointed positions. In addition, some counties have merged selected functions such as assessor and treasurer or clerk and court administration. Most cities and the state in Washington have

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appointed department heads. The exceptions at the state level are the elected Treasurer, Auditor, Secretary of State and Attorney General. Several of the functions of treasurer and auditor in county government are preformed by appointed state department heads at the state level (eg budget, financial reporting and business functions).

There are states that have fewer separately elected county officials than Washington and there are states with more separately elected county officials than Washington. The positions of Sheriff and County Prosecutor are universally elected nationwide. The largest variety of elected versus appointed positions occur with Clerk, Assessor, Treasurer and Auditor. The trend is to provide for fewer separately elected county officials in contemporary county governance alternatives especially in urban areas (Cite NACO study).

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

How would this alternative work?

This alternative involves creating by state statute following the regular legislative process a new governmental entity funded by the state. The Legislature would assign to that entity specific duties that had been previously assigned to counties. There are obviously a large number of potential combinations of duties that could be assigned.

As an example, for purposes of this evaluation, the duties could be assigned to six regional organizations (with the same boundaries as DOT regions). The duties assigned for this example are county human resource functions including labor relations, information technology including web services and general county legal counsel. The state legislature would appropriate funding to the “county service districts” each biennium and the service districts would have to propose budgets to the Governor for inclusion in the recommended state budget. These budgets would determine funding and staffing. A governing board for the districts as a whole would be made up of county and state officials (9 total, one from each district and three representatives of state departments such as the Department of Revenue, Department of Information Services and a Governor’s designee). The responsibility of the governing board would be to establish service delivery plans and propose a budget for the system to the Governor.

This alternative does not combine or eliminate any county separately elected county officials but instead may assign functions of their offices to a new regional governmental entity.

This alternative would be implemented by the Legislature through the regular legislative process.

Current law

RCW 36.16 to 36.35 and RCW 68.50 related to the functions and positions of county department heads.

Changes to existing governance system

This alternative assigns some of the functions of county government to a regional governmental unit to provide for the counties it serves.

Evaluation

This alternative is modeled after the Educational Service District system in Washington. The service district provides services to school districts in its service boundaries. Some of the services that could be provided in this model include purchasing, financial services, corporate counsel, information technology, personnel services and risk management in addition to direct customer services such as tax billing and collection, treasury services, specialized criminal justices services and web transaction services. Services that are good candidates for regional provision are those with opportunities to reduce unit costs through processing of higher volumes of transactions or services; through sharing of high fixed costs including technology or facilities and/or specialized skilled employees that are hard to recruit and retain.

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Impacts of proposed change

Specific impacts County efficiency and effectiveness	Pros Could provide a method of reducing unit costs and/or increasing service quality by regionalizing service delivery statewide.	Cons Counties vary in the level of service they currently provide for an individual service. This variation may be a barrier to providing uniform regional service delivery statewide without supplemental state funding.
County service implementation flexibility	Assists counties to be more efficient or effective when a county can determine “how” services are delivered under existing state statute and regulation by providing the service regionally.	Regional provision of service may reduce a county’s flexibility to customize services to meet the unique needs of an individual county. This alternative does not modify existing state laws or regulations about “how” county services are delivered that may limit delivery methods or streamlining.
Fiscal Impacts	May reduce unit costs for service and/or improve the quality and outcomes of service. Increased management costs may or may not be offset by savings resulting from efficiency or effectiveness improvements, avoidance of legal claims or other actions that result from the regionalization of services.	Creates new governmental entities with independent management costs. Provides access to services that some small counties may not have now but may also add costs. Functions that are assigned to the new regional entity do not directly reduce the number of county employees. Separately elected county officials in particular would remain.

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Public benefit including service delivery benefits	Possible cost reduction.	Increases intergovernmental coordination requirements among counties. May affect citizen's access to services especially for those that rely on in-person contacts. Lower income or limited mobility persons may be especially affected.
Checks and balances	Could increase access to higher level of professional knowledge and skills. Provides pooled resources which may increase oversight and improve information available to policy makers.	Reduces direct accountability for service delivery.

What can we learn from other states or Washington charter efforts related to this alternative?

There were not any specific models of statewide regional service provision identified among counties in other states. There are a number of regional service provision models that serve metropolitan areas and some models for individual services.

There are many intergovernmental service agreements and entities in Washington including a large number among and within counties. Not all counties in Washington fund programs that are good candidates for regionalization which may limit what services can be provided uniformly statewide in a regional format. Various facets of information technology were named most frequently as a service that may provide regionalization opportunities with positive impacts on efficiency and effectiveness (see Appendix H). Washington has several nationally unique models in the delivery of information technology services on a regional basis (see Appendix F, case study on joint service delivery).

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Constitutional Amendments

Alternative C -- 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.

How would this alternative work?

For purposes of determining how a “Governance Commission” proposal would be initiated, parts of the statute that creates five member commissions (no longer effective due to court decision) were used.

(1) The board of commissioners of any county may cause a ballot proposition to be submitted at a general election to the voters of the county authorizing a County Charter or Charter Amendment after convening by county ordinance an appointed County Governance Commission of no more than eleven or fewer than five members that is charged with recommending the Charter or amendment to be placed on the ballot.

(2) As an alternative procedure, a ballot proposition shall be submitted to the voters of a county authorizing a County Charter or Charter Amendment upon voter petition. A validated petition of county voters equal to at least ten percent of the voters voting at the last county general election submitted to the County Commission initiates this process. Upon receipt of a valid petition the County Commission shall convene by county ordinance an appointed County Governance Commission of no more than eleven or fewer than five members that is charged with recommending the Charter or amendment to be placed on the ballot.

This alternative does not directly modify, by combining or eliminating, any county separately elected county official position or functions. Individual county charters however may.

This alternative requires a constitutional amendment (see Appendix D).

Current law

The constitution currently provides for the creation of Charter Counties through the freeholder process (Article XI, Sec 4) and City-County Consolidation (Article XI, Sec 16).

Changes to existing governance system

This alternative would allow a county to provide for a county charter that establishes its own governance structure which could include modification to the number of elected members of the legislative body; county executive powers and the number of separately elected county officials. The existing freeholder method of adopting a county charter or amendment would be augmented by a second option that did not involve the election of freeholders.

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Evaluation

The current charter process prescribed in the state constitution is thought by some to be somewhat cumbersome. It first requires the election of freeholders, who study alternatives and make recommendations to the electorate, who then approve or disapprove of the recommendation(s). Voters must decide whether to authorize the charter process and choose freeholders in the same election. This can be confusing. An option that might simplify the charter process is to provide for the commission to *appoint* a “charter committee” that is charged with studying alternative forms and recommending a form of government to the commission and voters. A “charter committee” can also be formed as a result of a petition from the voters.

No studies were found that conclusively demonstrate whether it is better to have elected or appointed groups study charter proposals and make recommendations to the voters. In some instances, elected groups have recommended unpalatable proposals. Subsequently the use of an appointed group in these same counties led to proposals that were ultimately adopted by the voters. In at least one state, New Jersey, elected charter groups have produced significant county reform. Appointed groups predominate in some states (Sonenshein, p48). Ultimately the voters still have the final say on their form of government.

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Impacts of proposed change

Specific impacts	Pros	Cons
County efficiency and effectiveness	Provides the opportunity for a county to appoint a commission with expertise in county government that may result in more efficient structures.	
County service implementation flexibility	Assists counties to be more efficient or effective when a county can determine “how” services are delivered under existing state statute and regulation.	This alternative does not modify existing state laws or regulations about “how” county services are delivered that may limit delivery methods or streamlining.
Fiscal Impacts	Provides additional process options for creating a county charter. The fiscal impacts of a new charter will likely vary from county	Providing support to the freeholders in debating a county charter can be expensive especially if the charter is defeated at the polls. Seven of the eight

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	to county.	attempts in Washington over the last decade have failed. Clark County estimated that it's last effort cost \$4 million dollars.
Public benefit including service delivery benefits	Cost of a freeholder election would be eliminated. Allows a county to design a governance system that best meets their needs, including service delivery needs.	
Checks and balances	Allocates the responsibility for determining how a charter is drafted to the elected County legislative body.	May be seen as reducing the power of the electorate to decide who will represent them in forming or amending a county charter if the freeholder process is not used.

What can we learn from other states or Washington charter efforts related to this alternative?

Most Charter Counties in Washington have provided for an elected County Executive or an appointed executive with separate powers to administer county government and implement the policy decisions of the county legislative body. Some charters have reduced the number of separately elected county officials and most have increased the size of the legislative body.

Charter county authority has been granted to counties across the country including Washington. Some states use appointed and some elected groups to design the county charters. Washington counties that have used the freeholder process over the last decade have more often failed to adopt a charter (7) than approved a charter (1) (See Appendix H, Question 18).

Nationwide and in Washington, charters have been adopted when rapid growth and urbanization is occurring in the county (Appendix C, page 17). The number of counties implementing charters in Washington is small, but those counties generally contain over half the state population. Charters are uncommon nationwide in small or rural counties.

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Alternatives E -- Add a constitutional provision to allow any county to convert to a “Model Charter County” by voter approval. This option would be an alternative to the existing freeholder charter county process which would remain in the constitution. 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.

How would this alternative work?

After or before a vote on a constitutional amendment, the legislature would adopt in state statute “model charters” for each of the two forms – Five Member Part –time Commission/Elected Executive and Five Member Part-time Commission/Appointed Manager. These models would be subject to legislative change through the regular legislative process over time. Most model charters in other states reduce the number of separately elected county officials and increase the number of appointed department heads.

(1) The board of commissioners of any county may cause a ballot proposition to be submitted at a general election to the voters of the county authorizing conversion of county government to a “Model Charter County” under RCW 36A.XX.

(2) As an alternative procedure, a ballot proposition shall be submitted to the voters of a county authorizing conversion of county government to a “Model Charter County” under RCW 36A.XX, upon petition of the county voters equal to at least ten percent of the voters voting at the last county general election.

This alternative may modify, by combining or eliminating, county separately elected county officials if the legislature provides for that in the model charters adopted by statute.

This alternative would be implemented by a vote of the people on a constitutional amendment and then implemented through the adoption of model charters by the Legislature through the regular legislative process.

Current law
RCW Chapter 36

Changes to existing governance system

This alternative would allow a county to provide for a county charter that establishes legislatively proscribed governance structure which could include modification to the number of elected members of the legislative body; county executive powers and the number of separately elected county officials. The existing freeholder method of adopting a county charter or amendment would be augmented by a second option that did not involve the election of freeholders.

Evaluation

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The process prescribed in the state constitution is thought by some to be somewhat cumbersome. It first requires the election of freeholders, who study alternatives and make recommendations to the electorate, who then approve or disapprove of the recommendation(s). Voters must decide whether to authorize the charter process and choose freeholders in the same election. This can be confusing. An option that might simplify the charter process is to provide for the commission to *appoint* a “charter committee” that is charged with studying alternative forms and recommending a form of government to the commission and voters. A “charter committee” can also be formed as a result of a petition from the voters. Election costs would be reduced.

No studies were found that conclusively demonstrate whether it is better to have elected or appointed groups study charter proposals and make recommendations to the voters. In some instances, elected groups have recommended unpalatable proposals. Subsequently the use of an appointed group in these same counties led to proposals that were ultimately adopted by the voters. In at least one state, New Jersey, elected charter groups have produced significant county reform. Appointed groups predominate in some states (Sonenshein, p48). Ultimately the voters still have the final say on their form of government.

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Impacts of proposed change

Specific impacts	Pros	Cons
County efficiency and effectiveness	Provides the opportunity for a county to present a model charter option to the voters without going through the freeholder process. The models could include an executive separate from the Commission or Council to initiate and carry out efficiency or effectiveness improvements countywide.	The model charters adopted by the legislature may not meet the unique needs of every county.
County service implementation flexibility	Assists counties to be more efficient or effective when a county can determine “how” services are delivered under existing state statute and regulation by clarifying the authority of the Executive/Manager to initiate and implement such efforts.	This alternative does not modify existing state laws or regulations about “how” county services are delivered that may limit delivery methods or streamlining.
Fiscal Impacts	Provides additional process options for creating a county charter. The fiscal	Providing support to the freeholders in debating a county charter can be

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	impacts of a new charter will likely vary from county to county.	expensive especially if the charter is defeated at the polls. Seven of the eight attempts in Washington over the last decade have failed.
	Cost of a freeholder election and support of the process to create a charter would be eliminated.	As a result of more or fewer positions a Model Charter government may or may not be more costly than the existing County governance system.
	Implementation of a county manager/Executive or management initiatives may lead to cost savings.	
	If there are increased management costs may or may not be offset by savings resulting from efficiency or effectiveness improvements, avoidance of legal claims or other actions that result from the addition of a professional manager with knowledge of best management practices.	
Public benefit including service delivery benefits	Allows a county to adopt a governance system that may better meet their needs and provide more flexibility.	Counties that adopt Model Charters may need legislative action to reform it governance structure in future years.
	The public can potentially be better served by the County having additional “tools” authorized by the Legislature in a Model Charter to carry out these functions.	
Checks and balances	Allocates the responsibility	May be seen as reducing the

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for determining how a charter is proposed to the elected County legislative body.

power of the electorate to decide who will represent them in forming or amending a county charter if the freeholder process is not used.

The alternative may allocate the same executive powers to the county Executive/Manager as are currently vested in the Governor or a city Mayor or Manager.

Stronger executive authority may be seen as reducing the executive functions of separately elected county officials.

What can we learn from other states or Washington charter efforts related to this alternative?

There has been a national trend over several decades to provide governance options for counties that include a stronger centralized executive role. **In fact, over the last decade, more Washington counties have discussed creating an executive, either appointed or elected, than any other governance change (see question 19, County Official Survey Appendix C).**

Most Charter Counties in Washington have provided for an elected County Executive or an appointed executive with separate powers to administer county government and implement the policy decisions of the county legislative body.

Based on an informal survey of states with alternative forms of county government including the Commission or Council – Manager or Administrator form, the county commission/county manager form of governance is the most recommended by Executive Directors of County Associations.

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

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 of county associations 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:
A Study Requested by the Washington Legislature
RECOMMENDATIONS**

Advisory Committee Recommendations

To ensure critical information and viewpoints from stakeholders were included, CTED convened an advisory committee. The committee assisted CTED in considering options and provided feedback to inform the recommendations and legislature. The advisory committee consisted of eleven county elected and appointed officials nominated by the Washington State Association of Counties and the Washington Association of County Officials. The committee also included one representative from academia and one representative from the business community.

Conclusions that shaped the Advisory Committee recommendations

- Changes in county **governance are not directly correlated to changes in county fiscal health**. All counties are fiscally distressed. It is a matter of degree.
- Counties are constitutionally created as “agents of the state”. Significant additional improvement in efficiency and effectiveness can best 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.
- Many counties will be acquiring new software and/or technology over the next decade to replace existing outmoded systems. These changes represent a major **opportunity for the state and counties to partner in order to increase short and long term efficiency, effectiveness and interoperability** among local governments and with the state.
- 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. **New revenue** is necessary to sustain services.
- Changes in county government’s funding base should have a **neutral impact or facilitate** the further implementation of **growth management policy**. County revenue is shrinking as a result of implementation of growth management policy while regional service demands are increasing.

Recommendations related to efficiency and effectiveness

1. The state should support provision of joint or consolidated services among governments through:
 - a. Amending state statutes by general law to assure that counties are authorized to enter into joint service agreements including multi-county service agreements; agreements with governments in other states and Canada; and agreements between counties and the state in all service areas including services funded with special revenue funds and services that involve enforcement programs.

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- b. Providing facilitators and model service agreements that can be adapted to the needs of individual counties.
 - c. 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.
2. The state should partner in the re-design of county service automation where counties are acting as agents of the state. One way this can be accomplished is by allocating State Auditor performance audit funds to contracted performance audit services at the invitation of counties. The audits would be focused on joint projects that audit for performance and then as a direct follow-up, re-design key county business processes. State funding of joint projects should include scoping, design and implementation including technology infrastructure requirements based on proposals from the counties.
3. The state should support changes to state statutes that provide additional flexibility to counties related to “how” services are delivered or purchased. Examples of some of these changes that have been identified by the counties include: increasing the bid limits on personal services and equipment or supply purchases; reducing the number of special elections; limiting liability in county civil suits; raising the population limit on labor contract binding interest arbitration; and increasing the day labor limitations for fiscally distressed counties.

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 that could provide an *opportunity* for improving county efficiency and effectiveness. Some alternatives could improve efficiency and effectiveness using the current governance model and some alternatives would move toward transforming county governance.

The Advisory Committee prefers alternatives that provide counties greater flexibility in adapting their form of governance to local conditions. The Advisory Committee strongly felt that major transformation of county governance should require a vote of the people. The four alternatives presented below are in order of preference.

Alternative A: Expand 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, the state or governments in other states and Canada for services funded by special revenue funds or services that involve enforcement programs.

Alternative B: Provide the specific statutory authority for the Board of Commissioners to appoint a county administrator or manager.

Alternative C: Add a constitutional provision to create a voter approved Charter County or amend an existing charter through County Legislative body 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

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Charter or Charter amendment that modified county government where the modifications are not a part of the Washington constitution.

Alternative D – Reduce the number of separately elected county officials in non-charter counties through state statute amendment that classifies counties by population and combines duties of two or more officers, including a five member County Commission for larger counties.

Recommendations related to county financial health

1. In order to support equal access to basic services across the state, existing county funding should be modified by adopting a package of revenue changes that:
 - Increase overall county general fund revenue elasticity and flexibility by including at least one source that grows more in proportion to the economy, a fourth leg to the existing three legged revenue stool.
 - Provide enough revenue to fiscally distressed counties to cover the fixed costs of state agent related basic services.
2. The state should adopt a package of revenue changes from the following:
 - a. Diverting a portion of the state sales tax to support county provided state services statewide.
 - b. Authorizing counties to impose a countywide utility tax on public and private utilities to support county provided state services.
 - c. Increasing the size of payments and number of properties subject to payments in lieu of property tax on state owned property.
 - d. Changing the property tax limitation statutes to allow the property tax levy increase factor to change by CPI rather than 1%.
 - e. Clarifying the property tax levy lift statute to apply beyond six years.
 - f. Reimbursing counties for state services provided by county government in order to support equal access across the state. Washington substantially lags behind other states in funding of these services.
 - Reimbursing counties by a pre-determined amount per registered voter per year to support voter registration.
 - Reimbursing counties for the state share of even year election administration.
 - Reimbursing counties by 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.
 - Reimbursing counties by an amount equal to average jail day costs (\$72 dollars per jail day in 2006) plus medical expenses for felons that are held in county jails pre-sentence or post-sentence.
 - Reimbursing counties by an amount equal to one half of the cost of Superior and District Court including public defense, interpreter services, civil defense, prosecutor costs and facilities.
3. Flexibility in existing county funding sources should be increased by:
 - a. Consolidating existing county sales taxes dedicated to specific purposes into a single non-dedicated sales tax source authorized by the county legislative body. The county would be authorized to restrict the use of the funds or seek voter approval as a local option.

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- b. Non-supplanting language should be removed from existing county revenue statutes. Due to tax limitations, county revenue no longer grows sufficiently from year to year to cover service delivery costs. County officials are trying to sustain and improve the efficiency and effectiveness of basic services. Non-supplanting requirements frustrate those efforts by requiring the growth of government at the expense of existing basic service.
- c. Provide for greater revenue diversity through allowing counties to create, maintain and expand sales tax generating land uses in unincorporated parts of urban growth areas (UGA's) by amendment to annexation law and the Growth Management Act (GMA).

CTED Recommendations **(SUBJECT TO CHANGE)**

Any study of county governance and finance in Washington must balance many interests and divergent view points that are as varied as the many geographically distinct regions in the state. Based on the findings in the report, the Advisory Committee's work and recommendations and the conclusions below, CTED recommends the following actions as result of this study:

Conclusions that shaped the recommendations

- The majority of county services are provided as “agents of the state”. Significant additional improvement in efficiency and effectiveness can best 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.
- Many counties will be acquiring new software and/or technology over the next decade to replace existing outmoded systems. These changes represent a major **opportunity for the state and counties to partner in order to increase short and long term efficiency, effectiveness and interoperability** among local governments and with the state.
- 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. **New revenue** is necessary to sustain services **in fiscally distressed counties**.
- Changes in county government's funding base should have a **neutral impact or facilitate** the further implementation of **growth management policy**.

Issues for Further Study

The following are areas identified for additional study:

- Washington has an exceptionally large number of special districts providing public services, over 1,700. Many of these districts are supported in whole or in part by property taxes. Reduction in the number of special districts should be more thoroughly explored, especially among those providing public safety and utility services, where consolidation with other

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governments could reduce the number of overlapping taxing district or utility service providers. There may be a significant potential for reducing duplicative overhead and taking advantage of scale to reduce the cost of service delivery impacting property taxes and utility bills.

- The least number of joint or consolidated service agreements were noted in the survey of county officials in the area of transportation, even though transportation is the second largest single expense of county government. A more focused evaluation of this service system may yield opportunities and barriers that need to be addressed.
- The Advisory Committee noted, on a number of occasions, that the lack of a positive working relationship between the state, including the legislature, and county officials may be a key barrier to significant improvement in joint county-state service delivery efficiency and effectiveness. Additional initiatives in this area may be important in order to make significant progress.

APPENDICES

Appendix A

Governance Alternatives Legislative Language

Appendix B

A History of Washington's Local Governments: Washington State Local Governance Study Commission Report (Updated)

Appendix C

County Governance Alternatives in Washington State

Appendix D

Legal Memo on County Governance Parameters in Washington

Appendix E

Washington State Local Government Fiscal Stress Analysis: A Comparison to State Assistance under Senate Bill 6050

Appendix F

Case Studies

Appendix G

County Service System Mapping and Comparison to Other States

Appendix H

County Officials Survey