



STATE OF WASHINGTON
DEPARTMENT OF COMMUNITY,
TRADE AND ECONOMIC DEVELOPMENT

Ferry County Management and Organization Review

October 2005

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Ferry County Management and Organization Review

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Auditor
Deputy Auditor and Accountant
Assessor
Treasurer
County Clerk
County Prosecutor
Contract Public Defense Attorney
Contract Land Use Attorney
District Court Administrator
Superior Court Administrator and Presiding Judge
Sheriff
Dispatch Center Coordinator
Jail Superintendent
Extension Agent
Public Works Director
Community Services Director
Planning Director
Information Services Director
Solid Waste Utility Manager
Public Works Controller/Office Manager

Community and Region

City of Republic, Police Chief
City of Republic, Grants Officer and Councilmember
Executive Director, Colville Confederated Tribes
Police Chief, Colville Confederated Tribes
Road Department, Colville Confederated Tribes
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Manager, Ferry County PUD
Administrator, Ferry County Memorial Hospital
Ranger, Colville National Forest, Republic
Okanogan County Public Works Director
Stevens County Public Works Director

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Completion of this report would not have been possible without the editorial assistance of
Monica Hautzenrader, Executive Assistant, Local Government Division.

Methodology

The management study was initiated by the Ferry County Commissioners in August 2005. Information for the study was gathered from a number of sources including statewide databases; local county publications; data or reports; and in person or phone interviews.

Financial data came primarily from: the State Auditor's Office, Local Government Financial Reporting System (<http://lgfrs.sao.wa.gov/lgfrs>) and the County's 2004 Annual Financial Report and 2005 Budget documents. Historical financial information was spot checked for accuracy by the County's accountant and by the study author.

Personnel data came primarily from: the Association of Washington Cities and Washington State Association of Counties Annual Wage and Benefit Report, 2005 edition. Personnel data was also available for selected services from statewide reports referred to individually in the text of the management report.

Criminal Justice data was available from the Administrative Office of the Courts database (<http://www.courts.wa.gov/jis>) and the jail database maintained by the Washington Association of Sheriffs and Police Chiefs (<http://www.waspc.org>).

County Road mile data came from the State Department of Transportation road and street database available through contacting the Department. Road condition data was extracted from a uniform reporting system followed by counties in the state and reported to the County Road Administration Board. Individual county data was obtained from and used by permission of the Public Works Director in each county.

Ferry County property, contract, airport use and dispatch data was gathered from the County's files and databases.

Interviews

In person and phone interviews were conducted with Ferry County staff, and community, regional, and state officials over a four-week period.

Benchmarks or Best Practices

An element of the management review that was important to the County Commissioners was a way of evaluating the performance of the County relative to others or some identified standards. Through out the management study care was taken to compare Ferry County to statewide, comparator or regional averages or other performance indicators or benchmarks. Where available, best practices were also identified. The section of the report on Operating Issues discusses tools that the County can use to better monitor the performance of its service delivery and contract service providers.

Comparator data comes from a variety of sources. Statewide averages are extracted from statewide data. The seven comparator counties (counties of populations under 13,000)

were selected after consultation with the Washington State Association of Counties. Data from northeastern Washington counties is also described to assure comparisons to counties with similar regional characteristics. The primary data sources are the following:

Financial data came primarily from: the State Auditor's Office, Local Government Financial Reporting System (<http://lgfrs.sao.wa.gov/lgfrs>) including statewide data and data for the comparator counties.

Personnel data came primarily from: the Association of Washington Cities and Washington State Association of Counties Annual Wage and Benefit Report, 2005 edition. Personnel data was also available for selected services from statewide reports referred to individually in the text of the management report.

Criminal Justice data was available from the Administrative Office of the Courts database (<http://www.courts.wa.gov/jis>) and the jail database maintained by the Washington Association of Sheriffs and Police Chiefs (<http://www.waspc.org>).

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Executive Summary

Purpose of Review

In August 2005 the Ferry County Commissioners contracted with the Washington State Department of Community, Trade and Economic Development, Local Government Division to provide “a management and organizational review of County government operations” that would identify alternatives that could assist the County to improve its fiscal position. The Governor required this review as a condition of emergency funding provided to Ferry County in the 2005 supplemental budget. The Commissioners were also interested in identifying potential actions that could be taken to address the financial challenges faced by small population counties across the state.

Summary of Management Issues

Expenditures Exceed Revenue: The County has spent more in its Current Expense fund than it has received in revenue for three years prior to 2005. The Current Expense fund finances general government, law and justice, planning and health services. The fund’s cash balance has been used to make up the difference. In 2004 the County spent \$173,000 more than revenue. The County’s 2005 current expense budget shows the County expending all but \$45,000 of its \$591,000 fund balance by the end of the year. The Management Report recommends a 2005 Current Expense fund ending fund balance target that will result in 1.5 times average expenditures being available in the lowest cash month of April -- \$685,000 or \$94,000 more than ending cash in 2004. Ultimately the County should consider an \$819,000 ending fund balance or a balance sufficient to have on hand two times average expenditures in the lowest cash month.

In order to keep its spending within its means, the County needs to either reduce Current Expense fund expenditures or increase revenue so that annual expenditures balance with annual revenue -- \$3,032,000 was the balance point in 2004 when expenditures were \$173,000 greater than revenue. The projected balance point for 2005 is \$3,457,000. The County’s adopted budget authorized \$3,660,000 or \$203,000 more expenditures than projected annual revenue.

Tax Base Will Not Support Basic Local Government Services: The County has had insufficient revenue to meet basic local government service requirements for its citizens for many years. Its tax base is extremely small, only 19% of the total property in Ferry County is taxable and there are relatively few retail businesses. With this small tax base the County must serve a large land area with the least densely populated and most economically distressed unincorporated population in the state (87%). Even though a large portion of the county overlaps the Colville Indian Reservation and the Colville National Forest, the County is still responsible for general government, transportation, law enforcement services, and other services within these jurisdictions. The County is distinct from other small population counties (see map following this section) by having

only one small city to assist in the funding of basic local government services and a lack of timber sales revenue accruing to its Current Expense fund.

Low Employee Compensation Levels: In order to help to make ends meet the County has maintained very low compensation rates, generally the lowest among all county governments in the state. If compensation was raised to just below the average of small population counties it is estimated that it would cost an additional \$195,000 per year in the Current Expense fund.

Diversion of Road Funds Has Resulted In 25% of the Paved Road System Needing Replacement: The County has at least an eighteen-year history of diverting Road Fund property taxes to the Current Expense fund. Ferry County proportionately diverts more road taxes than any other county in the state. One of the results has been significant deterioration in the county's paved road network. In 2004 25% of the county's paved road system needed to be replaced because it can no longer be repaired. Adjacent counties with similar severe weather conditions, who do not divert Road Fund property taxes, need to replace from zero to 1.6% of their road system. In order to restore funding to the Road Fund the Current Expense fund would have to reduce or replace its largest revenue. More closely following the practice of other counties in the state that divert road tax, Ferry County would need to reduce the amount of diverted road tax by \$665,000 to \$514,000 per year.

Sizing the Problem: Overall, the County needs to *increase revenue or reduce expenditures in the Current Expense fund by a range of \$1.1 to \$1.3 million per year.* Factors leading to this total include:

- Meet annual operating and fund balance requirements, \$430,000;
- Preserve the remaining road system by reducing the diversion of road property taxes by \$514,000 to \$665,000 per year;
- Improve compensation for employees to bring them to just below the average of the seven small population counties at an estimated 2005 cost of \$195,000 per year;
- These estimates do not include the one time cost of road replacement needed as a result of past Road Fund property tax diversion. Up to \$40 million in additional funding will be required to meet these capital requirements. The majority of this funding need is not currently available through existing Federal or State funding sources because the county road system includes very few arterial roads.

Conclusions

The size of the financial issues in Ferry County will not allow Ferry County to address them on their own. ***Under the current local government tax structure and state statutes, Ferry County will not be able to provide basic local government services to its population.***

County Government Management Decisions

The County has attempted to cope with its fiscal issues by making a number of decisions over the years that have assisted it to effectively manage the cost of governmental services or improve the economic health of the community and its tax base. Examples of County decisions include: consistently limited increases in compensation for County employees; eliminated 16 positions over the last three years in the Current Expense fund; participated in multi-jurisdictional service delivery systems such as the Tri-County Health Department and the Superior Court Joint Judicial District; diverted 100% of its road property tax, as allowed by law, to the Current Expense fund; and dedicated significant time and funding to economic development efforts that may, over time, improve the County's tax base.

Ferry County has maximized its basic taxing authority (chiefly property and sales taxes) and has or is planning to seek extraordinary voter approved property tax authority. ***Even if the County is successful in asking voters to increase property or sales tax levels beyond those in most other parts of the state, these efforts alone cannot address the County's financial concerns because its tax base is so small.***

Successes

Ferry County has had many successes, particularly over the last five years, which are a source of pride for the community and create a foundation that can be built upon in future years. Some of these successes include: reconstruction of downtown Republic; increased tourism opportunities; creation of Economic Development infrastructure; initial improvements to the community's communication infrastructure; major investments in the Ferry County Public Hospital and associated facilities; successful Forest Service initiatives to work with the environmental community; and increased access to higher education and work force training opportunities.

Ferry County Compared To Other Small Population Counties: Challenges In Providing Basic Services

Between 1998 and 2003, revenue for all Washington counties across all fund types increased by 18% or \$749 million. At the same time, the seven counties with under 13,000 population (see map on page 7) experienced an overall revenue growth of just 5%. ***Ferry County's revenue declined by 20% between 1998 and 2003.*** The county experienced limited property tax growth and significant declines in sales tax and intergovernmental revenue. Intergovernmental revenue includes revenue from both the state and federal government in the form of grants, entitlements, shared revenues, payments in lieu of taxes, or payments for goods and services. ***Ferry County differs from the comparison small population counties in its even greater reliance on Intergovernmental Revenue (64%) and lack of revenue from timber sales.***

Between 1998 and 2003, statewide in all counties across all fund types, expenditures increased overall by 26%. In counties under 13,000 population expenditure growth was 19% compared to 9% in Ferry County.

Two counties (Ferry and Pend Oreille) are serving a primarily unincorporated population with average revenue from sales, property and miscellaneous revenue far below both the average for the seven small population counties and all counties statewide. All of the small population and northeast Washington counties receive less unincorporated per capita revenue from these three select revenue sources than the statewide average of \$622 per capita. Ferry County is the extreme example receiving just 26% (\$164) of the state average. ***If Ferry County received the average revenue of the seven small population counties (or 77% of the state average) it would receive \$2 million more in revenue per year.***

Compensation Levels and Number of Employees

After evaluating compensation and the number of employees in the Current Expense fund it is clear that ***Ferry County does not compensate more nor, employ more employees than similar counties in the state.*** In fact, the County compensates employees at a level most often below those of other small counties. In addition, Ferry County stretches the employees it does have over a larger land area than other small counties or its neighboring counties in northeast Washington.

New Revenue Available in 2006

Starting in 2006 there will be some positive changes in revenue available to the County due to legislative action at the Federal and State levels. ***While these changes will assist the County they are not enough to address the County's fiscal issues and additional actions will be required.*** The total new revenue available to Ferry County from state sources for 2006 is approximately \$138,450 of which \$75,000 is based on increased motor vehicle fuel taxes which are currently subject to an Initiative vote in November. While Congress recently adopted an increase to the Department of Interior's federal payments in lieu of property taxes for federal land within Ferry County it is unclear whether the increase will be implemented due to Congressional deliberations related to the federal deficit and balancing the federal budget.

Recommended Alternatives

The alternatives listed below could be enacted by Ferry County or the State of Washington to either increase revenue or decrease expenditures to address Ferry County's financial issues. Even if the County enacted all of the alternatives listed below that are within their authority it would not fully address the County's fiscal distress.

Alternatives for Ferry County

Increase Revenue

- Adopt an extraordinary tax measure in Ferry County using existing tax authority or voter-approved authority. Options include funding the existing Park and Recreation District or Service Area (*Ferry County impact up to \$205,000 per year*); Criminal Justice property tax levies or sales tax rate increases (*Ferry County impact ranges from \$59,000 to \$183,000 per year*); one time funding diversion of Conservation Futures funding (*Ferry County impact up to \$233,000, one time*).
- Establish intergovernmental contracts and policies that fully fund most of the counties special revenue funds so that current fund revenue is not required to support special fund operations. (*Ferry County impact up to \$75,000 per year*)
- Use existing county-owned property and any available revenue to acquire Timber land for the county at approximately \$1,250 per acre to create a county timber sales revenue base. (*Ferry County impact would be approximately \$63 per county-owned acre in timber sales revenue per year over time*)
- Focus economic development efforts and take strategic actions to maximize the possibility of success in order to foster long term tax base growth.
- Over time add extraordinary sales taxes and the hotel-motel tax currently authorized by State statute to the county's tax base. (*Ferry County impact up to \$50,000 per year*)

Decrease Expenditures or Deliver Services in a Different Manner

- Follow through on August 2005 County decision to downsize the County jail to a 72-hour holding facility (*Ferry County impact up to \$250,000 per year*).
- Deliver Public Defender services in a less expensive manner (*Ferry County impact up to \$40,000 per year*)
- Make selected reductions in County staffing in line with workload indicators of 2 to 3 FTE. (*Ferry County impact up to \$80,000*)
- Charge special revenue funds and grants for their proportional share of current expense services such as audit, budget, information technology, payroll, accounts payable, legal and personnel services. (*Ferry County impact up to \$35,000*)

Operating Practices

There were a limited number of operating issues or practices observed or explored during the course of the management study that do not lend themselves to direct financial savings or increases in revenue, but if addressed may increase the efficiency and effectiveness of county service delivery.

Alternatives for Small Population Counties

The alternatives listed below could be enacted by the State of Washington to either increase revenue or decrease expenditures to address Ferry County and other small

population counties financial distress and increase the efficiency of county service delivery.

Increase State Revenue or Revise Expenditure Requirements

- Establish a Basic State Allocation to small population counties based on a minimum revenue base measure in order to support a minimum level of local government service delivery. (*Ferry County Impact \$604,000 to \$5.7million per year*)
- Revise the state allocation and use restrictions on a package of existing revenue sources for small population counties. The report proposes: broadening the use of Real Estate Excise Tax Conservation authority for small population counties (RCW 82.46.070); exempting small population counties from state court fee and fine assessments (RCW 43.08.250); and modifying the allowed use of funds for Conservation Futures property taxes (RCW 84.34.230) and .08 diverted state sales taxes (RCW 82.14.370) for small population counties. (*Ferry County Impact Up to \$600,000 per year most from REET*)
- Consolidate a portion of general government operations through changes in state law. (*Ferry County impact up to \$126,000 per year*)
- Revise the State revenue payment schedule for I-695 replacement funds (SB 6050) to transmit annual revenue to the County in February of each year. The effect of this change is to add \$269,000 to the County’s revenue early in the year when property tax revenue has not yet been collected reducing the amount of funds required in the beginning Current Expense fund balance from \$819,000 to \$553,000. (*Ferry County Impact Up to \$269,000*)
- Authorize small population counties to provide a wider array of services on a multi-county basis either through inter-county contracts or multi-county districts.
- Increase State investment in small population counties’ technology and infrastructure (including roads, recreational facilities and buildings) in order to improve service efficiency and provide a solid base for economic development.

Revise State Operating Practices to Increase the Effectiveness or Efficiency of Small Population County Service Delivery

- Include remarks in State Audit reports of all small population counties about their fiscal condition. Remarks should, at a minimum, include comments about whether expenditures exceed annual revenue collections in major funds, the adoption and adherence to policies on major fund beginning fund balances and operating margins.
- Provide an evaluation of opportunities and develop models for small population counties to align Growth Management Plan land use designations and development regulations with economic development goals. Modification of Growth Management Act plans and development regulations to provide sufficient sites for targeted development and minimize permitting would maximize small population counties’ ability to compete for and successfully execute economic development activities that involve development or land use.
- The state should consider augmenting existing technical assistance services by contracting with a limited number of “circuit rider” experts in local government finance, administration, land use and environmental regulation to assist the smallest counties on a regular basis. This could help improve financial planning, expand

management capacity, and improve the integration of economic development and land use and environmental regulation.

- Consolidate the dozens of State grant and service contracts with each small population county into single agency umbrella contracts with addenda encompassing any special conditions. The purpose of the umbrella contracts would be to decrease administrative overhead and increase contract compliance.

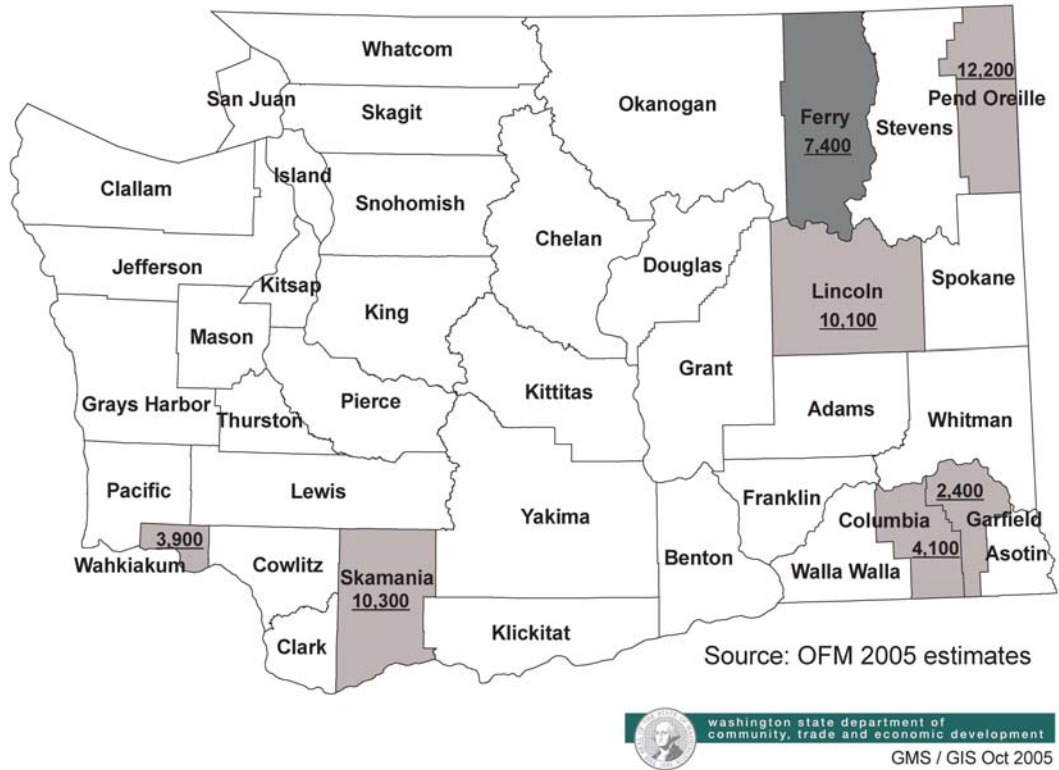


Figure 1: Washington State Counties Under 13,000 Population

Purpose of the Study

In August 2005 the Ferry County Commissioners contracted with the state Department of Community, Trade and Economic Development to provide “a management and organizational review of County government operations” that would identify alternatives that could assist the County to improve its fiscal position. The County Commissioners wrote to the Governor and the Legislature in February 2005 requesting financial assistance from the State of Washington, which was subsequently granted in June 2005 by Governor Gregoire from the Governor’s Emergency Fund.

In granting emergency funding to Ferry County the Governor in consultation with the Legislature required “ a management and organizational review of County government operations that would identify opportunities for quality improvement and efficiencies of the County’s government operations in order to maximize limited COUNTY resources and provide a financial plan for future years, as provided by Engrossed Substitute House Bill 6090, 2005 Regular Session, Section 1608 Governor’s Emergency Fund (Appropriation 612 – 4).”

Background

Ferry County Profile

Ferry County, the ninth largest county in Washington State by land area, was established in 1899 from part of Stevens County, its eastern neighbor (see Map at the end of this section). It was named after Washington's first Governor Elisha P. Ferry. Over two thousand square miles in size, it is located in the northeastern part of the state and is bounded on the north by Canada, the west by Okanogan County, the east by Stevens County and the south by Lincoln County. Canadian trappers first visited the northeast region of Washington in the early nineteenth century. The Colville Indian Reservation was established in 1872 and encompasses the southern half of the county including both trust lands and 70,000 acres of fee lands for which the County is responsible. The gold rush of the 1890's brought permanent non-native settlers to the region. Today (with a population of 7,400) lumber, mining and agriculture are the county's major economic activities. There is one city in Ferry County: Republic, the county seat, with a population of 975.

Ferry County has dramatic geography. The county contains two significant mountain ranges and two valleys running north and south, which are bounded on the east and south by the 130-mile long Roosevelt Lake portion of the Columbia River behind the Grand Coulee Dam.

The largest surrounding communities are Grand Forks, British Columbia (population 4,200); Colville in Stevens County (population 4,966); and Omak in Okanogan County (population 4,705). The county is served by a small all weather county airport, one state highway running north-south (Hwy 21) and one state highway running east-west (Hwy 20). In addition, Highway 395 runs north and south in the northeastern part of the county connecting Kettle Falls in Stevens County with Highway 3 in Canada. Travel to the south is restricted by the Keller Ferry crossing of Lake Roosevelt on Highway 21. Travel time from the north to south end of the county is one and three-quarter hours. An abandoned railroad spur runs from Kettle Falls in Stevens County to just north of Republic. The county has power and telephone services, but public water, sewer, cable television and Internet service are limited to the City of Republic. Water service is available in three additional small community areas of the county. Public water districts serve two of the areas, and a small sewer district serves one area.

Employment is in agriculture, timber, mining and government. There are 240 family ranches primarily producing hay and cattle on 800,000 acres. Average agricultural income per ranch or farm was \$20,997 in 2002 (2002 Census of Agriculture, USDA, www.nass.usda.gov/census/census02/volume1/wa/index2.htm). Timber is harvested from the USDA Forest Service, state and privately held Timber lands and processed at a mill located in Okanogan County or used for local construction. One gold mine and a gold ore mill currently operate in Ferry County. Small retail and tourism related businesses are located in the City of Republic, and the unincorporated communities of Lake Curlew,

Inchelium, and Keller. The Confederated Tribes of the Colville Indian Reservation have a number of tribal enterprises, which include tourist facilities in southern Ferry County. There is very little travel outside the county for employment. The unemployment rate in Ferry County is the highest in the state (three year average of 13%) and the county is one of sixteen counties designated as “distressed areas” by state and federal government. In 2002 a lumber mill operating in the county closed and unemployment soared to 32% with 810 persons unemployed out of a total county labor force of 2,510 (Department of Social and Health Services, www1.dshs.wa.gov/pdf/ms/rda/research/4/47/updated/ferry.pdf). Average non-agricultural annual wages in Ferry County were \$24,753 or 37th statewide (2003, US Department of Commerce, Bureau of Economic Analysis, www.bea.doc.gov/bea/regional/reis/drill.cfm).

The county population (7,400) has grown by about 2% since the year 2000. However, growth is projected in the county population beyond the state average through 2025 to 9,990. The most significant growth is projected in the over 65 age group increasing from 13% to 27% of total county population, well above the projected state average of 18% in 2025. In the year 2000, 75% of the county population was white and 18% was Native American. Of the 2,823 households in Ferry County in the year 2000, 30% included children under 18. There were 2,003 total children in the county.

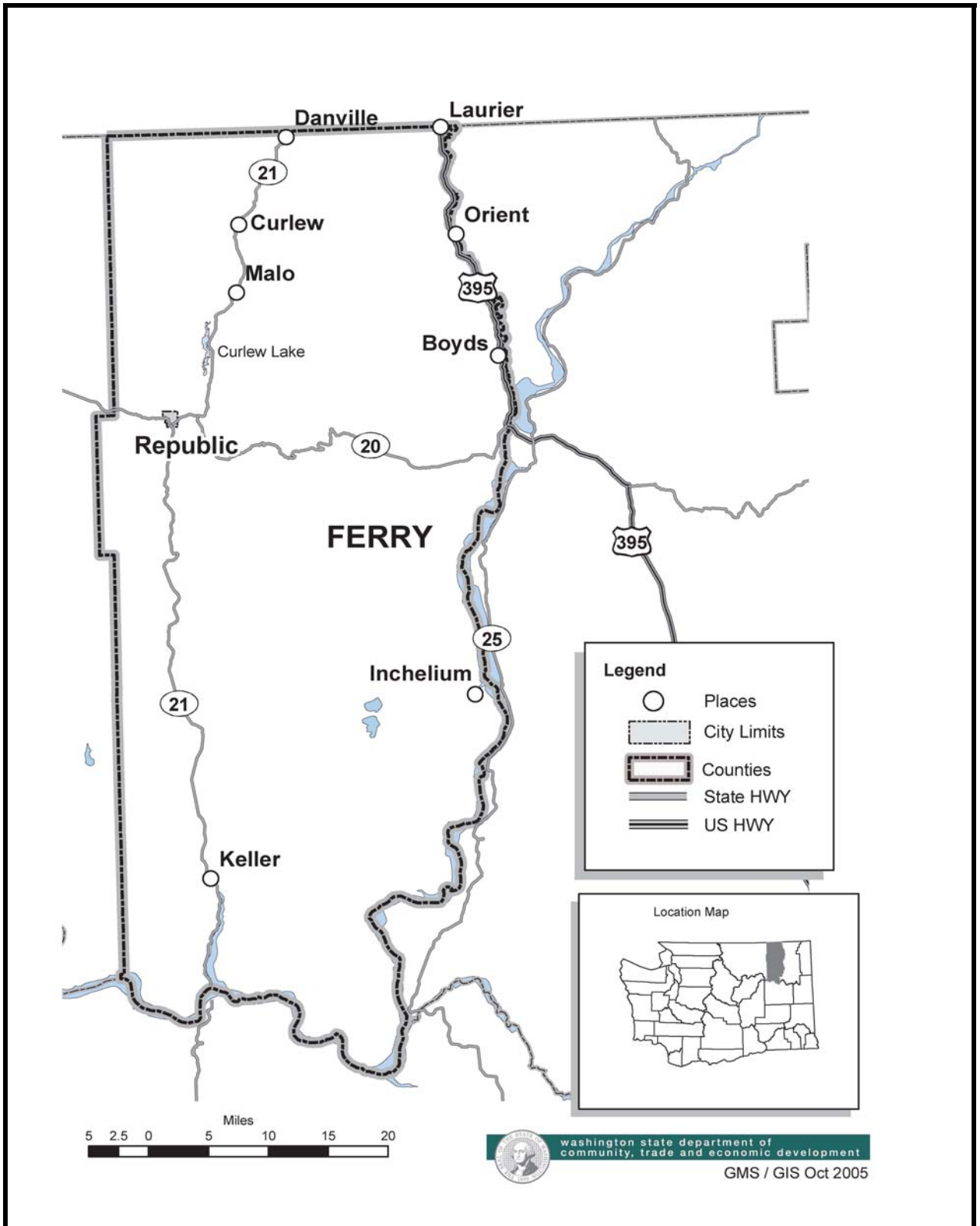


Figure 2: Ferry County

Ferry County Government

Ferry County is a non-charter county organized under state statute RCW Title 36. The County has twelve elected officials. Three County Commissioners elected by district, a Sheriff, a Prosecuting Attorney/Coroner, a County Clerk, and Treasurer are authorized under the state constitution (Article XI, Section 5) and two additional elected officials are established by state statute (RCW 36.16.030), the County Auditor and Assessor. Three elected judges serve Ferry County, two Superior Court Judges that are elected within a three-county judicial district and one District Court judge elected countywide. There are additional department heads appointed by the County Commissioners including the Directors of Public Works, Planning, and Community Services.

At the beginning of the 2005 budget year the County had a total of 143 full time and part time employees, of which 50 are primarily funded by the Current Expense fund of the County. The Road Fund funds 36 employees; the Community Services Fund funds 42 employees; E911 funds 10 employees; and internal service funds or grants fund five employees. Employee expenditures are the largest expense of the County with most employees involved directly in the delivery of county services to residents and property owners. The Sheriff's Department has the only unionized work unit represented by AFSCME (The American Federation of State, County and Municipal Employees).

The County has a number of physical facilities and operates several satellite facilities to better serve its large land area including: a courthouse with one joint-use courtroom, jail, and E911 dispatch center; courthouse annex; four leased and one owned facilities for Community Services; five Public Works maintenance shops; fair grounds and campsite; airport; cemetery; an interest in a multi-county Juvenile Detention facility; leased office space for the Planning Department; a solid waste facility; four recreation facilities; 737 miles of county roads; and a relatively large property portfolio.

Since a large portion of Ferry County overlaps with the Colville Indian Reservation or the Colville National Forest it is easy to forget that much of the county's land area and population still require county services. All of the county's population require general government services such a voting, property records, and licensure. The County also provides airport, dispatch, emergency response planning, extension agent, and economic development services to the Forest Service and the Tribes.

The Ferry County road system includes 737 miles of paved and unpaved roadways. Of the total, 53% of the paved roads and 43% of the unpaved roads lie within the Colville Indian Reservation boundary. The Bureau of Indian Affairs operates an additional 368 miles of roads. The Sheriff's Department is responsible for traffic enforcement on county roads and law enforcement on the 70,000 acres of "fee lands" not owned by the Tribe or held in trust by the Federal Government within the reservation boundary. While Tribal Police are cross-commissioned, the Sheriff is responsible for mutual aid and all incidents involving non-tribal members within the reservation boundary. In addition, the U.S. Forest Service contracts for law enforcement services with the Sheriff's Department.

Community Successes

Ferry County has had many community successes, particularly over the last five years, which are a source of pride for the community and create a foundation that can be built upon in future years. A brief summary of just some of these success stories follows:

Downtown Republic

The business community, city and state government (Transportation Improvement Board, Community Development Block Grant Program and Public Works Trust Fund) combined their efforts to create an attractive and cohesive downtown area that is pleasant and appealing for residents and tourists alike. Public spaces have been effectively used to tell the story of the community's history with consistent, eye-catching and attractive signage at several key locations. These public displays are augmented with murals on both private and public buildings. A western theme has been incorporated into the downtown streetscape, primarily through private efforts along with visually consistent, tidy and attractive public amenities (sidewalks, signage, crosswalks and curbing). These features combine to create a feeling that is quaint, fresh and inviting with a decidedly western flavor.

Tourism

The combined efforts of individual businesses, business organizations, the city, county, state, Confederated Tribes of the Colville Reservation, and federal government have resulted in an increased number of attractions for tourists in Ferry County. Marketing these attractions has been undertaken privately and through the efforts of the Visitors Bureau and the Tribes. Businesses catering to tourists are growing. The County, State, the Tribes and the Forest Service have or are developing trails and recreation sites for hikers, bicyclists, horseback riders, off-road vehicles, cross country skiers, snowmobiling and boaters. Camping, hunting and fishing have historically and continue to bring tourists to the county. The western family oriented lifestyle, visual artists, music, gold mining, wildlife and fossils also attract and/or provide activities for tourists who come to the area.

Economic Development Infrastructure

Within Ferry County and northeastern Washington economic development infrastructure has been developed to identify, provide resources for and work on economic development initiatives ranging from coordinated responses to corporate site selection proposals to small business development and marketing. Community and governmental interest and involvement are high.

Communication Infrastructure

Due to the fact that Ferry County is isolated from large urban areas and has limited transportation options for freight and people, communication infrastructure is important to the quality of community life, economic development, health care and education. Significant progress has been made in bringing cable television, video communication and Internet service to parts of the county in recent years.

Ferry County Public Hospital District

Ferry County has a thriving community hospital supported by Ferry County Hospital District #1. The hospital has, or is sponsoring a number of allied facilities in Republic and other parts of the county. The hospital participates in the delivery of emergency medical services to the county and the transport of injured persons to Spokane for specialized treatment. The hospital is currently engaged in construction of a sixteen-bed assisted living facility and expansion to its medical clinic facilities. The hospital, the Forest Service, and others have been actively engaged in a discussion of constructing and operating a community swimming pool in Republic.

U.S.D.A. Forest Service

The Colville National Forest in Ferry County is managed out of the Colville Headquarters via the Republic Ranger District for the west side of the county and the Three Rivers Ranger District in Kettle Falls for the east half of the county. The Forest Service is actively engaged in a successful collaboration with the environmental interests in Ferry County to manage federal forest lands. Timber harvest on federal lands has historically been a significant contributor to the timber industry in the county. In addition, the Forest Service is participating in community economic development efforts through development of federal forest land recreation facilities such as an off-road vehicle trail system and supporting federal investment in the county's economic development priorities.

Educational Opportunity

Ferry County is served by five school districts: Orient, Keller, Curlew, Republic, and one joint-county district, Kettle Falls School District. Access to higher education is provided by the Spokane Community College and Washington State University through outreach programs located in Republic and Colville in Stevens County. High School students and graduates, unemployed and underemployed persons and adults wanting to learn specialized skills can take advantage of Republic school district computer labs and outreach facilities and classes from the colleges. Access to education and work force training has assisted a number of individuals in the community to attain jobs after the closure of the lumber mill in 2002.

County Government Management Decisions

The County has made a number of decisions over the years that have assisted it to effectively manage the cost of governmental services or improve the economic health of the community.

- The County has consistently limited increases in compensation for County employees.
- The County has made difficult decisions that reduced the number of County employees and changed how county services were being delivered in order to reduce costs. Two examples are the county government reduction in force implemented in 2002 that eliminated eight full or part time positions and the August 2005 decision to

downsize the jail to a 72-hour holding facility reducing the number of Current Expense fund employees by eight.

- The County has chosen to participate in multi-jurisdictional service delivery systems that leverage the use of expensive or scarce specialized resources such as the
 - a) Joint Superior Court Judicial District (Ferry, Stevens and Pend Oreille Counties);
 - b) Northeast Tri-County Health Department (Ferry, Stevens and Pend Oreille Counties);
 - c) Northeast Washington Juvenile Justice Center (nine counties);
 - d) E-911 Dispatch Center (Ferry County, City of Republic, Confederated Tribes, Fire Districts, Forest Service, Washington State Patrol, Fish and Wildlife, DNR, DOT, Emergency Medical Services District and Public Utility District),
 - e) Tri-County Economic Development District;
 - f) Joint Criminal Justice Services contract with Republic;
 - g) Jail agreement with Okanogan County;
 - h) Snow removal contract with various governmental jurisdictions;
 - i) Participation in multi-county risk and insurance pools; an operating agreement with the Confederated Colville Tribes including cross commissioning of Tribal and County law enforcement officers; and
 - j) Joint bidding with other northeast counties for elections electronic equipment and software.
- The County has diverted 100% of its road property tax, as allowed by law, to the Current Expense fund leaving significantly fewer resources to maintain or replace county roads.
- The County has recently put on the ballot an extraordinary increase in property taxes to fund Criminal Justice. In 2004 the proposition failed with less than a 30% yes vote. The second attempt will be in November 2005. This tax measure, if approved, would raise \$183,000 per year in increased revenue.
- The County has spent significant time and dedicated significant funding to economic development efforts that may, over time, improve the County's tax base.

Ferry County in Comparison

Tax Base and Tax Effort

The Colville Indian Reservation, the Colville National Forest and state forest lands dominate the county's land use pattern and tax base. Only 19% of the county's total land area, concentrated in the northern half of the county, is privately held and subject to property taxation. The southern half of the county contains 70,000 acres of land and 341 miles of roads that are the responsibility of county government. Ferry County levies the full basic property tax rate (\$4.05 per \$1,000 of assessed property value) and basic and optional sales tax rates allowed by state law to support its Current Expense and Road Funds.

After maximizing its basic taxing authority however, Ferry County's tax base remains very small. Ferry County ranks 36th out of Washington's 39 counties in total property assessed value and sales tax receipts. (2003 County Assessor Statistics and 2004 sales tax distribution statistics, Department of Revenue, dor.wa.gov/Docs/Reports). In addition to the basic County property and sales taxes at the maximum rates Ferry County also levies the Conservation Futures property tax; the basic local government portion of the Real Estate Excise Tax; the Criminal Justice Sales Tax and; the Hotel-Motel Tax.

Ferry County is the most sparsely populated county in the state with only 3.36 persons per square mile (Office of Financial Management, www.ofm.wa.gov/popden/rural.htm) and is ranked 36th by population and 9th by land area. This relatively large land area presents a significant challenge to the County in delivering effective services with its small tax base.

Property tax valuation per square mile of land area or miles of county road is extremely small, \$166,000 of assessed value (AV) per square mile and \$501,000 of assessed value per county road mile compared to the smallest county (Garfield) with \$196,000 AV per square mile and \$311,000 per county road mile or Chelan County with similar road miles, but a little larger land area at \$1,700,000 AV per square mile and \$7,406,000 AV per road mile (2004 Department of Transportation road mile statistics and Department of Revenue 2004 Property Tax statistics). Ferry County has the highest proportion of unincorporated assessed value, population and sales tax revenue of any county except San Juan County. From a statewide perspective, Ferry County represents the rural polar opposite of the state's largest urban county, King County.

Service Delivery Responsibilities

Ferry County government operates with twelve elected officials, which is typical of most non-charter counties in the state. What is not typical is that Ferry County shares two elected Superior Court judges with two other counties in one judicial district, which assists the County to reduce overall costs and make effective use of the limited number of attorneys in the three-county area. While the compensation of Superior Court judges is

paid partly by the State, most other costs of operating the court are a county responsibility.

Services provided by the County can be divided into mandatory and discretionary. Mandatory services are those that the County is required to provide either by the state constitution or state statute. Discretionary services are those provided by the County based on decisions by the County Commissioners about the unique needs of the County's citizens. Many mandatory services may be provided in a variety of ways including direct service provision by County government and service provision through a contract with another governmental entity or private vendor. In addition, the amount and character of a service can vary significantly affecting its cost. Ferry County provides services typical of the other seven counties of less than 13,000 population in the state with the following exceptions:

- 1) Land Use Planning
- 2) Parks and Recreation
- 3) Sewer and Water System Capital Project Planning and Construction
- 4) Cemetery
- 5) County Airport
- 6) Law Library

Of these six services only Land Use Planning is required by state law, the rest are discretionary. Ferry County irrevocably opted into planning under all the provisions of the state Growth Management Act during the 1990's. Of the seven counties under 13,000 population in Washington three, Wahkiakum, Skamania and Lincoln, are not required to plan under all the provisions of the Growth Management Act and four counties, Ferry, Pend Oreille, Garfield and Columbia opted to plan. The methods used in each county to comply with the provisions of the Growth Management Act vary, as do the costs for planning, implementation and compliance monitoring.

Employee Compensation

Employee compensation is a key component of the cost of county government. Most county services rely on personnel to accomplish the work involved in providing service. Compensation and the number of employees performing the work are the primary cost drivers. In Ferry County, compensation is the lowest in the state in every job classification surveyed annually by the Association of Washington Cities and the Washington State Association of Counties with only a couple of exceptions, where compensation is still among the bottom three counties in the state.

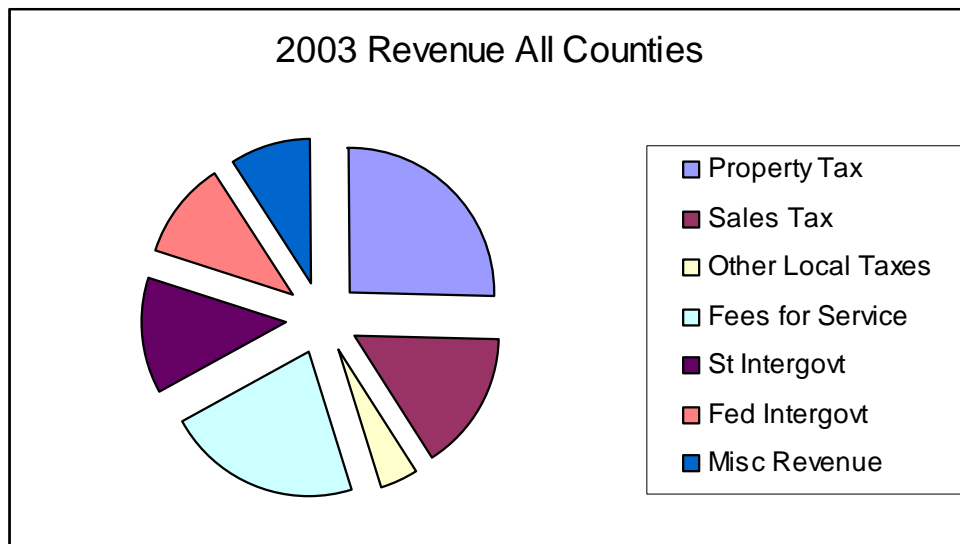
Ferry County Financial Comparisons

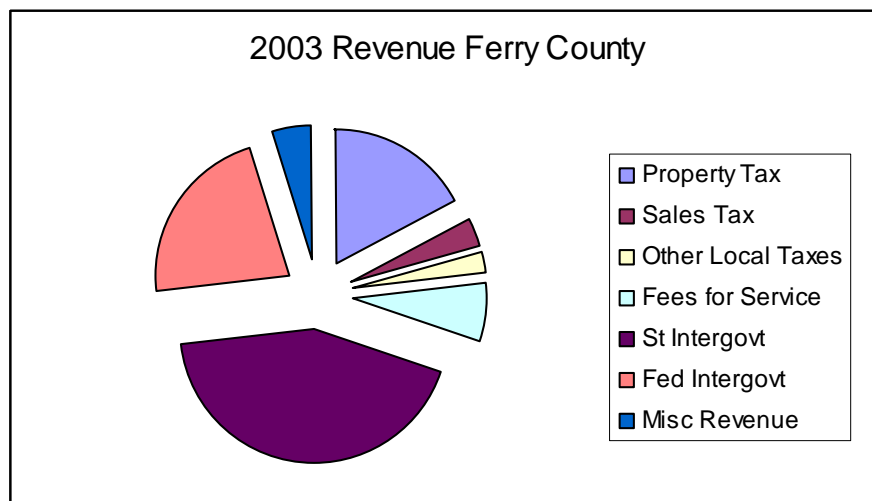
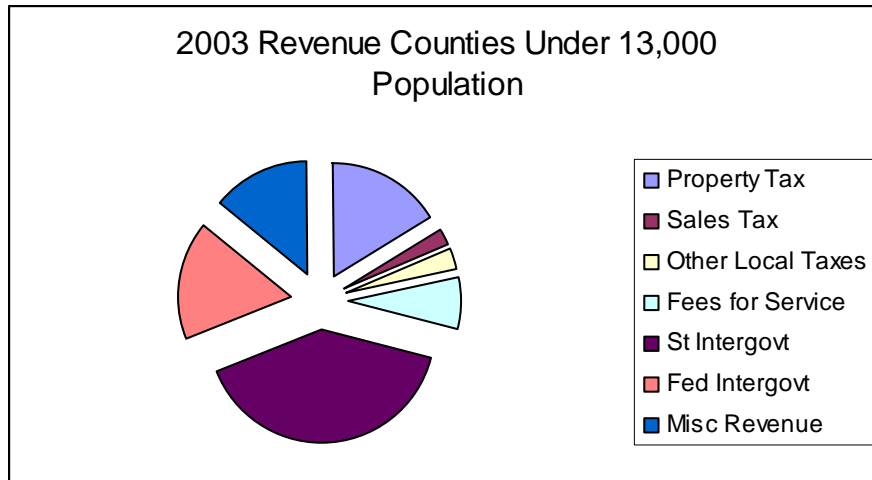
Revenue Base

Statewide in 2003 the largest county government revenues across all fund types were: property tax (23% of all revenue), intergovernmental revenue (22%), charges for service (18%) and sales tax (14%). The largest Ferry County revenues across all fund types

varied significantly from statewide trends. The largest revenues were: intergovernmental revenue (64%), property tax (18%), charges for service (7%) and sales tax (3%). Intergovernmental revenue includes revenue from both the state and federal government in the form of grants, entitlements, shared revenues, payments in lieu of taxes, or payments for goods and services.

To compare Ferry County with other counties with small populations Washington's seven counties of less than 13,000 were selected. These counties are: Columbia, Ferry, Garfield, Lincoln, Pend Oreille, Skamania and Wahkiakum. Three are located in northeast Washington and the rest in the southern part of the state. In order to provide a perspective on Ferry County these counties are used for comparison along with data from all counties. Of the seven comparison counties the largest 2003 revenues across all fund types were: intergovernmental revenue (57%), property tax (16%), miscellaneous revenue primarily from state timber sales (10%), charges for service (6%), other taxes (3%) and sales tax (3%). Ferry County differs from the comparison counties in its greater reliance on intergovernmental revenue (64%) and lack of revenue from state timber sales. The comparison counties all varied significantly from statewide trends in their reliance on intergovernmental revenue and smaller property tax and sales tax base. To illustrate these differences see the following charts:





Revenue Increases

A six-year look at statewide county revenue across all fund types shows that revenue increased overall by 18% (\$749 million) between 1998 and 2003. The largest increases were in property taxes (29% increase); charges for services (24% increase); sales tax (33% increase) and intergovernmental revenue (17% increase).

Over the same time period, Ferry County revenue across all fund types ***declined*** by 20%. The County experienced significant declines in two of the four major statewide revenue types – intergovernmental revenue (27% decline) and sales taxes (33% decline). During the same period Ferry County property taxes increased by 19.5% compared to 29% statewide and charges for service increased by 40% compared to 24% statewide.

For comparison, during the same six years counties with a population under 13,000 experienced an overall revenue growth of 5% compared to 18% for all counties. The largest increases were in the areas of

- property taxes (17% increase compared to Ferry County’s 19.5% growth);

- miscellaneous revenue primarily state timber sales (21% increase);
- charges for services (26 % increase compared to Ferry County's 40% growth);
- fines (25%); and
- intergovernmental revenue (2% increase compared to Ferry County's 27% decline).

Sales tax grew by \$0.2M or 13% compared to Ferry County's 33% decline.

Expenditures

Another financial perspective is to evaluate major expenditures for all counties compared to Ferry County. The largest county expenditure categories statewide in 2003 across all funds were: Law and Justice (22%), Transportation (17%), Capital (15%), Health and Human Services (11%). The largest expenditure categories in Ferry County for 2003 were: Law and Justice (19%), Transportation (25%), Capital (17%), and Natural Resources (16%).

Ferry County's expenditures mirrored statewide trends except in the area of Natural Resources, which includes Planning, Water and Sewer Utility Capital Improvements and Parks and Recreation. In the seven comparator counties under 13,000 population the largest expenditure areas were:

- Law and Justice (21% compared to 19% in Ferry County),
- Transportation (27% compared to 25% in Ferry County),
- Capital (15% compared to 17% in Ferry County), and
- General Government (13% compared to 10% in Ferry County).

Again Ferry County expenditures generally mirrored the comparator counties except in the area of Natural Resources.

Expenditure Increases

Statewide in all counties across all fund types expenditures increased overall by 26% (\$993 million) between 1998 and 2003. The largest increases were in Law and Justice (\$281 million or 36%); debt service (\$152 million or 103%); capital (\$148 million or 27%); Utilities (\$125 million or 38%) and Transportation (\$102 million or 14%).

Ferry County experienced a 6% increase in overall expenditures between 1998 and 2003 compared to the statewide 26% increase for all counties. Growing expenditure categories included Natural Resources (115%), Law and Justice (9%) and Fire and Emergency Services (25%). Expenditures for all other Ferry County service categories declined or remained stable during this six-year period.

Expenditures for three of the five growing expenditure categories statewide ***declined*** in Ferry County (Transportation -7.6%; debt service -57% and capital -8.3%). Expenditures for the other two growing expenditure categories grew by small amounts in Ferry County – law and justice grew by 9.4% compared to 36% statewide and utilities grew by 8.5% compared to 38% statewide.

Expenditure growth in Ferry County for natural resources (which includes land use planning, water and sewer utility capital improvements, parks and recreation and community event support) grew by 115% and fire and emergency medical services (which includes dispatch) grew 25.5% compared to 5.1% and 36.3% statewide growth in the same functions across all counties. The large growth in natural resources is due to water and sewer utility improvements constructed in unincorporated areas of the county.

In counties under 13,000 population, expenditure growth between 1998 and 2003 was 19% overall compared to 9% in Ferry County, the greatest growth was in

- Law and Justice (23% compared to 9% in Ferry County);
- Natural Resources (29% compared to 115% in Ferry County);
- General Government (14% compared to 0% in Ferry County); and
- Health and Human Services (19% compared to a 10% *decline* in Ferry County).

Between 1998 and 2003 in all counties statewide across all fund types operating margins (revenue collected during a year less expenditures for the same year expressed as a percentage of revenue) declined from 7.75% of revenue to 1.6% of revenue. During the same period Ferry County's operating margin declined from 18% to *minus* 5%. For counties with under 13,000 population operating margins declined from 5% to 3% of revenue.

Ferry County's Financial History

In order to provide a context for future decision-making and evaluation of the alternatives to improve Ferry County's fiscal position it is important to understand the county's fiscal history and current financial condition. Appendix I to IV provide detailed tables comparing the County's finances over a ten-year period by four fund groups (Current Expense, Special Revenue Funds, Enterprise Funds, and Debt and Capital Funds). These four fund groups encompass all county services and the County's major financial obligations. The data for the tables was extracted from the State Auditor's Office Local Government Financial Reporting System and spot checked by the County's Accountant for accuracy.

Current Expense or General Fund

The Current Expense fund receives most general tax revenue not dedicated to county roads and provides the primary operating funding for all general government, law and justice, public health and planning services. Fifty part and full time employees including twelve elected official's County compensation are included in the Current Expense fund. Funding for Current Expense operations includes diverted road property taxes in increasing amounts over the last ten years ranging from \$366,910 (1994) to \$600,000 (2004). In 2005 the County diverted 100% of its road property tax projected to be \$775,482.

Since 1994 the Current Expense fund has spent more than it has taken in (including transfers to other funds) in seven of the ten years including 2002 (\$276,000), 2003 (\$749,000) and 2004 (\$173,000). Funds to cover recent operating losses have come from

the Current Expense fund cash balance and from transfers from other funds cash balances. At the end of 2004 the County had a Current Expense fund balance of \$590,000.

Special Revenue Funds

Special Revenue funds generally account for funding that is dedicated to a specific purpose or service. The largest funds in this group are the County Road Fund which provides the bulk of the funding for the Public Works Department (36 part and full time employees), the E911 Fund which accounts for the emergency dispatch center (10 part and full time employees) and the Community Services Fund which provides the bulk of the funding for the County's human services programs (42 part and full time employees).

Since 1994 with or without transfers to other funds the special revenue funds have had operating losses in five of the last ten years including 2004. Funding to cover operating losses has come from fund balances.

Enterprise Funds

Enterprise funds generally account for services that operate on a user fee basis such as a utility or solid waste service. In Ferry County the primary enterprise is the countywide solid waste service.

Expenditures have been greater than revenue for six of the last ten years. Expenditures were greater than revenue in: 2002 (\$19,000), 2003 (\$22,000) and 2004 (\$10,000). Transfers from the Current Expense fund were used to cover the balance of operating expenses in those years.

Debt and Capital Funds

This fund group accounts for funds that are dedicated to capital improvements (other than roads) that are financed by grants, county-issued debt or other revenue that is dedicated or appropriated for capital project purposes.

This fund group spent more than its annual revenue, after transfers in from other funds, in four of the last ten years (2000 through 2003). Cash balances were used to cover debt service and "pay as you go" capital expenses in those years. In 2003, \$224,000 of the remaining cash balance from this fund group was transferred to other funds for operating expenses.

County Management Decisions

The County has made a number of decisions over the last four years to reduce costs or increase revenue. The major actions by the County Commissioners include:

1) Reduction-in-Force

During 2002 the County took steps to reduce the number of County employees by eliminating 8 full or part time positions funded by the Current Expense fund prior to the implementation of the 2003 County budget. The positions were in the Sheriff's Office

(3); Auditor's Office (1); Assessor's Office (1); Treasurer's Office (1); Planning Department (1) and Prosecutor's Office (1).

2) Employee Compensation

The County has consistently taken steps to keep County employee compensation far below the state average for smaller counties and in fact at the lowest point for all counties in every job classification with only a few exceptions.

3) Downsizing of the Jail

In August of 2005 the County Commissioners made a decision to change the County jail from a 40-bed long term stay jail to a 72 hour holding facility of 10 beds. This change will result in the lay off of 8 Current Expense fund employees and is projected to reduce the 2006 operating budget by \$250,000.

4) Proposed Voter Approved Revenue Measures

Over the last five years the County has proposed an increase in property taxes to support criminal justice services (2004) and expects to put at least one, perhaps two tax measures on the ballot in fall of 2005. The 2004 criminal justice related property tax measure was soundly defeated. During 2004-2005 the Republic School District (the largest of the county's three school districts) experienced its first school operating levy failures in many years. The first opportunity for the school district to place its operating levy back on the ballot will be February 2006.

The County Commissioners are considering placing a criminal justice measure on the ballot again in fall of 2005 along with a ballot proposition to allow the County to use Conservation Futures funding for general operations on a one time basis under provisions of SB 6131 adopted by the legislature in spring 2005. Due the county's small tax base, even if the criminal justice measure were approved the resulting revenue would only be approximately \$183,000 per year for a \$.50 property tax levy. The impact of the Conservation Futures measure, if approved, would be to allow the County to use \$233,000 of Conservation Futures funds for County operations on a one time basis.

Management Issues Defined

There are four financial issues facing the County that were identified as part of the management review:

1. Current Expense fund Cash Flow
2. Operating Expenditures Exceed Revenue
 - a) Current Expense fund
 - b) Special Revenue and Enterprise Funds
3. Diverted Road Fund Property Taxes
4. Compensation

Each of the four issues is defined and discussed individually below.

Current Expense Cash Flow

The County receives its revenue unevenly through the year while expenditures for the most part are evenly dispersed. As a result, there may be times of the year when the County has more expenses than the revenue it has collected to that point. To assure that there are sufficient funds to pay expenses as they come due, the County needs to have a sufficient beginning cash balance to see it through the lean times of the year and plan its larger one time expenditures to coincide with the times of the year when most of its revenue has been collected. Since the County has been spending down its beginning cash balance over the last three years there was concern that 2005 would be a year when the County had insufficient funds to pay its expenditures.

Appendix V contains a detailed table of monthly income and expenditures for the County's Current Expense fund from January 2003 through July 2005. This financial report was generated for the management study through the County Auditor's Office. The County has not had available a cash flow monitoring report that is compiled on a regular basis.

For 2004 the County's average current expense monthly expenditures were \$268,000. In April of 2004 cash dipped to a low of \$468,000 or 1.75 month's of expenditures. In 2005 the low month was also April at \$393,000 or just under 1.5 month's of expenses. The State Auditor's Office considers an entity to be a "going concern" with a cash balance of one month's average expenditure. Ferry County operated below this threshold during the period 1997 to 1999, but has operated above this threshold since that time. After spending more than the County was taking in for three years in a row by spending down the County's cash balance, there was a legitimate concern that the County would not be able to continue to meet its cash requirements.

While the "going concern" test is a reasonable audit standard, prudent business practice would dictate that the County operates with a low-cash-month (April) fund balance of at least two times its average monthly expenses. For Ferry County in 2005 the County's Current Expense fund ending cash balance amount would need to be \$819,000 to meet this standard. At an end of year cash balance level of \$819,000 the County would have an April (low cash month) balance of \$536,000 or two times its average monthly expenses. Appendix VI contains an excel spread sheet that can be used by the County to determine a minimum cash balance requirement for the purpose of budgeting and cash flow monitoring in upcoming years. The sheet is adjusted each year to reflect the prior year's revenue and expenditure levels and should be further adjusted if the expected future year's expenses vary significantly from the prior twelve-month period.

Since the County has been spending more than it has been taking in over the last three years and the County's budget shows a spending plan that would again exceed revenue in 2005, the County should plan to attain a cash balance of at least \$685,000 by the end of 2005. In order to accomplish this goal spending would need to be reduced below planned levels or revenue would have to exceed planned levels. A \$685,000 ending cash balance would put the County at a cash balance level of approximately 1.5 month's expenses in its low month (April) 2006. In order to meet this ending cash balance goal annual revenue

(without counting the beginning cash balance) should exceed annual expenditures by at least \$109,000 by the end of 2005.

In addition, in order to meet a cash balance goal of 1.5 times average monthly expenses in April 2006, the 2006 County budget should reflect a spending plan that would allow the County to maintain at least a \$402,000 cash balance through out 2006 including the low cash month of April. In order to accomplish this at least \$685,000 in beginning cash and ending cash should be the 2006 goal reflected in the 2006 approved current expense budget. By 2007 the County's goal could then be to achieve a \$819,000 cash balance which would result in two times average monthly expenditures being available as cash in April 2007 (the \$819,000 goal assumes average expenditures of \$268,000 per month for 2006 and 2007 and should be adjusted to reflect actual results).

Current Expense Operating Expenditures Exceed Revenue

Annual operating expenditures have exceeded annual revenue collections in the following funds in 2004 and in many cases prior years:

- Current Expense fund (2002-2004)
- Solid Waste Fund (2002-2004)
- Special Revenue Funds (excluding transfers from CE) – Airport, E911 Dispatch, and Community Services (2004)

Expenditures exceeded revenue in the Current Expense fund in 2004 by \$173,000. The prior two years amount was higher. The Ferry County budget for 2005 shows expenditures exceeding revenues collected during the year (without beginning cash) by \$546,000. While it appears, based on the first six-month's of operating results, that County revenue collection will exceed budgeted levels (and the state has contributed \$150,000 from the Governor's emergency fund) it is not clear whether cutbacks and added revenue will equal \$546,000.

Part of the deficit in the Current Expense fund is a result of transferring dollars to other funds to sustain operations. According to the County's Annual Financial Reports, the solid waste fund has required additional funding ranging from \$10,000 to \$22,000 over the last three years; the airport has required approximately \$10,000 to \$20,000 per year to sustain operations; E911 Dispatch required \$33,000 for operations in 2004 and Community Services spent \$46,000 more than revenue in 2004 out of its \$2.18M dollar operation. Community Services, being primarily state and federal grant or contract funded, maintains its own fund balance and does not rely on the Current Expense fund for financing. Leaving out Community Services, other funds have been relying on the Current Expense fund for \$53,000 to \$75,000 of operating funding each year.

Diverted Road Fund Property Taxes

The County has diverted Road Fund property taxes to the Current Expense fund since at least 1988. The amount has varied over the years, but has trended upwards to 100% of estimated Road Fund property taxes in 2005 (\$798,000 total diversion of which \$770,000

is budgeted in the Current Expense fund). A total of \$7,745,018 has been diverted from the Road Fund since 1988.

Ferry County diverts the highest percentage proportionally of Road Fund property tax of any county in the State. There were 13 counties out of 39 that diverted road tax in 2004. The average of the 12 (other than Ferry) diverted 13.6% of their road tax proceeds. The amount diverted ranged from 3.1% to 48.4%. Ferry County diverted 79.8% in 2004. Looking at just the seven small counties (Columbia 48.4%; Ferry 79.8%; Lincoln 17.8%; Garfield, Pend Oreille, Skamania and Wahkiakum 0%) the average of the diverting counties was 33%, without Ferry.

The diversion of Road Fund property tax does not currently have an impact on the availability of other state transportation funding because Ferry County has a population of less than 8,000 (see WAC 136.150.022-030). For example, Ferry County received \$605,000 in 2004 from the state's Rural Arterial Program. As the County grows however, in future years this could become an issue. Counties with over 8,000 population may divert up to the amount actually expended for traffic law enforcement without losing their eligibility for other state transportation dollars. In 2004 Ferry County expended \$487,000 for traffic patrol compared to its 2004 diversion of \$600,000.

The diversion of Road Fund property tax does have a significant impact on the amount of funding available to maintain and operate the County's road system. Ferry County relies heavily on its road system for industry, tourism and travel outside the county for goods and services not available to residents and business within the county boundaries. Long-term persistent under-funding of road maintenance results in costly deterioration of the road system. Ferry County is particularly vulnerable to deterioration because of the extreme weather conditions in the County (see ten-year road condition comparison, page 38).

If the County diverted fewer Road Fund property tax dollars, then substitute funding would need to be found to maintain the current expenditure level in the Current Expense fund. Eliminating diversion would reduce revenue by \$770,000 or 21% of total fund resources. Diverted Road Fund property tax is currently the single largest revenue available to the Current Expense fund.

If Ferry County diverted an amount equivalent to the average of all counties that divert, 13.6% then revenue available to the Current Expense fund would be \$105,400 for a total revenue reduction of \$665,000. If Ferry County diverted the average of the two other small counties then Current Expense fund revenue from diverted road tax would decrease to \$255,750 resulting in a revenue reduction of \$514,000.

Compensation

Compensation is the largest expense in the Current Expense fund representing 65.3% of total 2004 expenditures or \$2.1 million (derived from Ferry County 2004 Annual

Financial Report). For the 50 employees supported directly by this fund, average annual wages are \$33,556.

In order to compare Ferry County's compensation levels to the other six small population counties and the average of all counties in the state, compensation data from a sample of job classifications was evaluated matching Ferry County's job classifications. The data came from the Association of Washington Cities and Washington State Association of Counties annual compensation survey (2005 edition). Table 1 shows the results of this analysis.

TABLE 1: Comparative Ferry County Compensation – Sample of 2005 Job Classifications

Generic Job Title	Number of Ferry County Positions	Ferry County Monthly Wages or Salary		Small County Average Monthly Wage or Salary		Okanogan and Stevens County Average Monthly Wage or Salary		Statewide Average Monthly Wage or Salary
		Low or Flat	High	Low or Flat	High	Low or Flat	High	Flat/High
Appraiser, Residential	1	\$2,511		\$2,554	\$3,104	\$2,417	\$3,051	\$3,481
Accountant	1	\$2,900		\$3,019	\$3,962	\$3,415	\$4,044	\$4,541
Auditor	4	\$2,883		\$3,807		\$4,193		\$5,097
Deputy Prosecuting Attorney	1	\$3,535		\$3,267	\$4,479	\$3,909	\$5,279	\$5,462
County Commissioners	3	\$3,000		\$2,982		\$4,192		\$5,263
Emergency Dispatcher	8	\$2,035	\$2,472	\$2,279	\$2,782	\$2,213	\$2,684	\$3,151
Deputy Sheriff	6	\$2,521	\$3,039	\$2,615	\$3,253	\$3,095	\$3,760	\$4,084
Entry Level Clerical	2	\$1,020		\$1,530	\$2,271	\$1,355	\$2,033	\$2,433
Journey Level Clerical	1	\$2,008		\$2,189	\$2,827	\$1,841	\$2,442	\$2,763
Journey Level Maintenance	17	\$2,769		\$2,344	\$2,923	\$2,678	\$3,035	\$3,175
Planning Director	1	\$2,900		\$3,783	\$4,877	\$4,657		\$6,548
Public Works Director	1	\$4,735		\$5,383	\$6,685	\$6,446	\$7,536	\$7,237
Prosecuting Attorney	1	\$4,993		\$5,657		\$7,137		\$7,770

Shading = Ranks lowest or 38th in state

Ferry County generally compensates its employees at or near the lowest monthly compensation levels for county governments in the state. There were only three cases in the sample data where Ferry County paid slightly more than the low or flat rate average for the other small counties and its neighboring counties (Okanogan and Stevens Counties).

In order to bring Ferry County compensation levels to the small county average for the sample positions (which represent 60% of all positions funded by the Current Expense fund) the County would be required to pay an additional \$117,000 per year in base pay alone. Assuming similar pay levels in the rest of the current expense work force and extending the sample results to the full current expense work force, the County would need to pay approximately an additional \$195,000 per year in base pay.

Compensation levels are often a difficult policy issue. If compensation levels are too high relative to local economic conditions the community is often very concerned. On the other hand, if compensation levels are too low then the County has a difficult time recruiting and retaining employees, especially in technical, professional and management positions resulting often in poor service delivery. Compensation levels may also affect morale and performance of employees either positively or negatively which is ultimately reflected in the quality of service delivery and an employee's attitude toward their employer and their customers or constituents.

Number of Employees

In addition to compensation levels the number of employees providing service was evaluated. Using data from three sources: the Association of Washington Cities and Washington State Association of Counties annual compensation survey (2005 edition), the Washington State Assessor's Annual Report of staffing, 2003 and the Administrative Office of the Courts 2004 staffing data, a comparison of the number of employees reported in select job classifications was made for the Current Expense fund and the Road Fund. The seven small population counties and Ferry County's larger east and west neighbors were used for comparison. Table 2 shows the results of the analysis.

Ferry County ranked seventh out of seven small population counties in the number of current expense and Road Fund employees per 100 square miles of service area. Ferry County ranked sixth out of seven small population counties in the number of current expense employees per 1,000 total population and 1,000 unincorporated population. These numbers do not reflect the County Commissioner's decision to downsize the County jail in August 2005. The downsizing is projected to reduce the number of current fund employees by eight which would place Ferry County equal to the lowest ranked county, Pend Oreille, in the number of current expense employees per 1,000 unincorporated population.

Ferry County ranked fourth out of seven small population counties in the number of Road Fund employees per 1,000 population and 1,000 unincorporated population. The County ranks five out of seven in the number of employees per 100 county road miles.

TABLE 2: Comparison of Current Expense and Road Fund Employees in Selected Job Classification in 2005

Generic Job Title or Comparative Standard	Seven Small Population Counties							Larger NE Washington Counties	
	Columbia	Ferry	Garfield	Lincoln	Pend Oreille	Skamania	Wahkiakum	Okanogan	Stevens
General Government	18.0	18.0	10.0	41.0	33.0	31.0	22.0	51.0	56.0
Planning and Building	1.0	2.0	1.0	2.0	3.0	8.0	1.0	7.0	5.0
Law and Justice	15.2	35.0	15.6	39.1	30.5	45.0	23.0	95.2	68.6
Other Current Expense	3.0	1.0	1.0	5.0	1.0	7.0	1.0	17.0	5.0
Total Current Expense Select Job Classes	37.2	56.0	27.6	87.1	67.5	91.0	47.0	170.2	134.6
Employees Per 1,000 Population	9.1	7.6	11.5	8.6	5.5	8.8	12.1	4.3	3.3
Employees Per 1,000 Unincorporated Pop	29.6	8.7	31.0	19.1	7.6	11.1	14.5	7.1	4.3
Employees Per 100 sq. miles of service area	4.3	2.2	3.9	3.8	4.8	5.5	17.8	3.2	5.4
Total Road Fund - Select Job Classes	20	26	13	56	33	29	9	62	49
Employees Per 1,000 Population	4.9	3.5	5.4	5.5	2.7	2.8	2.3	1.6	1.2
Employees Per 1,000 Unincorporated Pop	15.9	4.0	14.6	12.2	3.7	3.5	2.8	2.6	1.6
Employees Per 100 County Road Miles	4.0	3.5	2.8	2.7	6.2	11.6	6.3	4.4	3.3
Employees Per 100 sq. miles of service area	2.3	1.2	1.8	2.4	2.4	1.8	3.4	1.2	2.0

Sources:

- 1) Washington State Administrative Office of the Courts, database 2004
- 2) Washington State Assessor's Annual Report 2003
- 3) Association of Washington Cities and Washington State Association of Counties Salary Survey 2005

Generally the more population a county has, the fewer employees are required to serve that county per 1000 population. Many contribute this fact to the economies of scale that can be achieved in a county with a larger and often more concentrated population. The results of the employee comparison in Table 2 reflect this general rule. Okanogan County (population 39,600) and Stevens County (41,200) require fewer employees per 1,000 population and unincorporated population than any of the seven counties below 13,000 population.

The same is not true for the number of Current Expense employees per 100 square miles of service area. One smaller population county (Ferry) has fewer employees per 100 square miles of land area than Okanogan County and five smaller population counties (including Ferry) had fewer employees per 100 square miles of land area than Stevens County.

In the Road Fund, one smaller population county (Ferry) had the same number of employees per 100 square miles of land area as Okanogan County and three smaller population counties (including Ferry) had fewer employees per 100 square miles of land area than Stevens County.

After evaluating compensation and the number of employees in the Current Expense fund it is clear that Ferry County does not compensate more nor, employ more employees than similar counties in the state. In addition Ferry County stretches the employees it does have over a larger land area than other small counties or its neighboring counties in northeast Washington. In fact, the County compensates employees at a level most often below those of other small counties and the County would require approximately \$195,000 (2005 dollars) additional funding per year in the Current Expense fund to bring wages to the average of the state's smaller population counties.

Analysis of Management Issues

This section of the management report focuses on analyzing the individual issues facing Ferry County and identifying alternatives that might be considered to address each issue. The alternatives presented include actions that the County Commissioners could take on their own; actions that require collaboration with or the cooperation of others; actions the State of Washington could take to assist the County and finally management practices that the County could put in place to enable the County to track its progress or increase effectiveness. In most cases there are several alternative methods of addressing an issue and the Commissioners will need to evaluate which alternative best fits the needs and situation in Ferry County. In selected sections of the report specific recommendations are made where it is clear that prudent management or business practices present opportunities that should be considered for action.

Current Expense Cash Flow

Findings

For 2004 the County's average current expense monthly expenditures were \$268,000. In April of 2004 cash dipped to a low of \$468,000 or 1.75 month's of expenditures. In 2005 the low month was also April at \$393,000 or just under 1.5 month's of expenses. The State Auditor's Office considers an entity to be a "going concern" with a cash balance of one month's average expenditure. Ferry County operated below this threshold during the period 1997 to 1999, but has operated above this threshold since that time. After spending more than the County was taking in for three years in a row using the County's cash balance, there was a legitimate concern that the County would not be able to continue to meet its cash requirements.

Benchmarks or Best Practices

While the "going concern" test is a reasonable audit standard, prudent business practice would dictate that the County operates with a low-cash-month (April) fund balance of at least two times its average monthly expenses. In 2005 the County's Current Expense fund ending cash balance amount would need to be \$819,000 to meet this standard. At an end of year cash balance level of \$819,000 the County would have an April (low cash month) balance of \$536,000 or two times its average monthly expenses. Appendix VI contains an excel spread sheet that can be used by the County to determine a minimum cash balance requirement for the purpose of budgeting and cash flow monitoring in upcoming years. The sheet is adjusted each year to reflect the prior year's revenue and expenditure levels and should be further adjusted if the expected future year's expenses vary significantly from the prior twelve-month period.

Since the County has been spending more than it has been taking in over the last three years and the County's budget shows a spending plan that would again exceed revenue in 2005, the County should plan to attain a cash balance of at least \$685,000 (a significant

part of the ultimate cash balance goal) by the end of 2005. In order to accomplish this goal spending would need to be reduced below planned levels or revenue would have to exceed planned levels. A \$685,000 ending cash balance would put the County at a cash balance level of approximately 1.5 month's expenses in its low month (April) 2006. In order to meet this ending cash balance goal annual revenue (without counting the beginning cash balance) should exceed annual expenditures by at least \$109,000 by the end of 2005.

In addition, in order to meet a cash balance goal of 1.5 times average monthly expenses in April 2006, the 2006 County budget should reflect a spending plan that would allow the County to maintain at least a \$402,000 cash balance through out 2006 including the low cash month of April. In order to accomplish this at least \$685,000 in beginning cash and ending cash should be the 2006 goal reflected in the 2006 approved current expense budget. By 2007 the County's goal could then be to achieve a \$819,000 cash balance which would result in two times average monthly expenditures being available as cash in April 2007 (the \$819,000 goal assumes average expenditures of \$268,000 per month for 2006 and 2007 and should be adjusted to reflect actual results).

Alternatives

1. Establishing a Cash Balance Policy

Many governmental organization's legislative bodies adopt financial policies which are used by the operating officers of the organization to guide day-to-day decisions and provide policy guidance or benchmarks for the purposes of financial reporting and budgeting. In Ferry County this would mean that the County Commissioners could adopt by resolution a set of financial policies covering a number of subjects (e.g. investment practices, financial reporting practices, etc.), but would include at a minimum, a policy related to the County's ending and beginning balance in the Current Expense fund. Financial policy resolution models are available from the Government Finance Officers Association (www.gfoa.org) or local examples from Municipal Research and Services Center (www.mrsc.org) or the Washington Finance Officers Association (www.wfoa.org). An example of a cash balance policy for Ferry County might be "a minimum beginning and ending Current Expense fund balance that would result in the County having available the equivalent of two month's average expenditures in April of each year." The Auditor's Office would calculate and report the cash balance target for each year based on the Commission's adopted policy.

The County's cash balance policy could then be used to establish a benchmark that would be available to compare to the results reported in periodic cash flow reporting (see Appendix VI for an example report), end of the year financial reports and as a guide for annual budgeting. The County's adopted financial plan (budget) should show the County maintaining at least the cash balance called for in its policy at the end of each fiscal year.

2. Tracking And Reporting

Until August of 2005 the County did not regularly track or report to the County Commission on its cash position in the Current Expense fund except in the County's Annual Financial Report. A simple report format, similar to that used in the Annual Financial Report, was developed with the Auditor's Office to report historical cash flow data (See Appendix VI). This same format could be used to regularly monitor and report on the Current Expense fund's cash position and selected other funds, if needed.

3. Aligning Budgeting Practice with Cash Balance Policy

The County's 2005 current expense budget summary (page 6) shows a financial plan that if fully realized, would have resulted in the County expending all but \$45,473 of its beginning cash balance by the end of December 2005. At this cash balance level the County would not have met the State Auditor's "going concern" test. As the year has progressed it is clear that several revenues were appropriately conservatively budgeted, the State of Washington has contributed \$150,000 to the Current Expense fund on an emergency basis and some expenditures will be lower than anticipated in the financial plan due to actions taken by the County Commission. As a result, the planned cash balance will likely be exceeded.

If a cash balance policy is adopted by the County Commissioners, in future years it will be important to develop a financial plan, reflected in the adopted annual budget, that results in an anticipated current expense cash balance that meets the adopted policy. Creating a benchmark through adopting a cash balance policy for the County's Current Expense fund cash balance helps to create a framework for decision-making and fiscal discipline.

4. Revising the State Revenue Payment Schedule

The State of Washington has historically paid I-695 replacement payments to the County in June of each year in one lump sum (\$226,000 in 2004). This funding is being replaced by funding from the state portion of the Real Estate Excise Tax which was formally allocated to the Public Works Trust Fund through Senate Bill 6050 adopted by the Legislature in the 2005 Legislative Session. Payments appear to be scheduled to occur quarterly. If payments were made annually in January or February (or a large payment with a much smaller reconciling payment at the end of the calendar year) then the beginning cash balance requirement for the Ferry County's Current Expense fund would be significantly reduced. For example, the beginning fund balance target for 2006 is \$819,000 following a "two month's average expenditures" policy. If an annual payment of \$269,000 from SB 6050 were received in February the cash balance requirement would be reduced to \$550,000 because the County would have more revenue available early in the year to "tide it over" until property taxes were received in May.

Current Expense Operating Expenditures Exceed Revenue

Findings

Annual operating expenditures exceeded annual revenue collections in the following funds in 2004 and in some cases prior years:

- Current Expense fund (2002-2004)
- Solid Waste Fund (2002-2004)
- Special Revenue Funds (excluding transfers from Current Expense) – Airport, E911 Dispatch, and Community Services (2004)

Expenditures exceeded revenue in the Current Expense fund in 2004 by \$173,000. The prior two years amount was higher. The Ferry County budget for 2005 shows expenditures exceeding revenues collected during the year (without beginning cash) by \$546,000. While it appears, based on the first six month's of operating results, that County revenue collection will exceed budgeted levels (and the State has contributed \$150,000 from the Governor's emergency fund); it is not clear whether cutbacks and added revenue will equal \$546,000.

Part of the deficit in the Current Expense fund is a result of transferring dollars to other funds to sustain operations. According to the County's Annual Financial Reports, the solid waste fund has required additional funding ranging from \$10,000 to \$22,000 over the last three years; the airport has required approximately \$10,000 to \$20,000 per year to sustain operations; E911 Dispatch required \$33,000 for operations in 2004 and Community Services spent \$46,000 more than revenue in 2004 out of its \$2.18 million operation. Community Services, being primarily state and federal grant or contract funded, maintains its own fund balance and does not rely on the Current Expense fund for financing. Leaving out Community Services, other funds have been relying on the Current Expense fund for \$53,000 to \$75,000 of operating funding each year.

Revenue

Ferry County has a very small tax base which has been strained by a combination of a sustained poor economic and employment climate (the most severe in the state); multi-year reductions in intergovernmental revenue for a variety of reasons; the effect of tax limitation initiatives and changing service delivery demands on the County including initiatives to increase economic development.

Ferry County has maximized its taxing authority and has or is planning to seek extraordinary voter approved property or sales tax authority. Because of the county's small tax base these efforts alone cannot address the County's financial concerns.

Table 3 lays out comparator and statewide information evaluating available revenue per person for County service delivery in 2003. Table 3 shows Ferry County receiving \$843 per person to serve its unincorporated population, compared to \$937 statewide or an average among the smallest population counties of \$1,496. Nearly \$604,000 in additional annual revenue would be required to bring Ferry County up to the statewide average annual revenue available to serve unincorporated persons with basic local government services and \$4.2 million to bring Ferry County up to the small population county average revenue per unincorporated person.

Table 4 takes a closer look at three specific revenue sources: sales taxes, Current Expense fund property taxes without road tax diversion, and miscellaneous revenue. In this Table it is easy to see that of the seven small population counties two (Skamania and Wahkiakum) receive a large amount of miscellaneous revenue. Both counties receive significant revenue (more than \$1.8 million) from timber sales per year. Three counties (Columbia, Garfield and Lincoln) have a low percentage of unincorporated population driving up unincorporated per capita revenue from property taxes and to a lesser degree sales taxes. Two counties (Ferry and Pend Oreille) are serving a primarily unincorporated population with average revenue from sales, property and miscellaneous revenue far below both the seven small population county and state average.

Ferry County is the extreme example of the two because its percentage of unincorporated population is higher and its property tax base is very small. All of the small population and northeast Washington counties receive less unincorporated per capita revenue from these select sources than the statewide average of \$622 per capita. Ferry County is the extreme example receiving just 26% (\$164) of the state average. If Ferry County received the average revenue of the seven small population counties (or 77% of the state average) it would receive \$2 million more in revenue per year.

Ferry County is the least densely populated county in the state and has the highest percentage of unincorporated population to serve at 87%. In counties where there is a higher proportion of incorporated population (e.g. Columbia, Garfield and Lincoln Counties), cities also collect and contribute revenue toward provision of basic local government services to the incorporated population. Together the city and county revenue provide the financial base for law and justice, public works including transportation, general government, planning and parks and recreation services. In Ferry County where there is only one small city, the revenue available to provide basic local government services comes principally from the County to a greater extent than any other county in the state.

TABLE 3: Ferry County 2003 Revenue Compared to Other Small Population Counties, Neighbor Counties and All Counties

Seven Smallest Population Counties	2005 Population Estimate	2005 Unincorporated Population	Percentage of Unincorporated Population	2003 Total Current Expense Fund Revenue (2)	2003 Special Rev Fund Intergovernmental Revenue and Taxes (1)	Per Capita Current Expense, Intergovernmental and Tax Revenue	Unincorporated Per Capita Current Expense, Intergovernmental and Tax Revenue
Columbia	4,100	1,255	30.6%	\$1,366,183	\$2,737,067	\$1,001	\$3,270
Ferry	7,400	6,425	86.8%	\$2,780,010	\$2,634,389	\$732	\$843
Garfield	2,400	885	36.9%	\$1,611,751	\$1,732,454	\$1,393	\$3,779
Lincoln	10,100	4,470	44.3%	\$3,321,201	\$6,161,877	\$939	\$2,121
Pend Oreille	12,200	9,210	75.5%	\$4,973,569	\$3,764,547	\$716	\$949
Skamania	10,300	8,299	80.6%	\$10,218,921	\$4,115,697	\$1,392	\$1,727
Wahkiakum	3,900	3,350	85.9%	\$3,235,455	\$2,061,642	\$1,358	\$1,581
Smallest Population Counties Average	7,200	4,842	67.3%	\$3,929,584	\$3,315,382	\$1,076	\$2,039
All Counties	6,256,400	2,438,882	39.0%	\$1,546,549,267	\$737,764,192	\$365	\$937
Neighboring Counties							
Okanogan	39,600	23,870	60.3%	\$11,362,385	\$8,714,919	\$507	\$841
Stevens	41,200	31,621	76.8%	\$10,813,663	\$7,800,222	\$452	\$589

Notes:

- 1) State Budget, Accounting and Reporting Code 311, 313, 317,332, 335, 336
- 2) Does not include beginning fund balance

Sources:

Office of Financial Management April 2005 Population Estimates
 State Auditors Office, Local Government Financial Reporting System, 2003

TABLE 4: Ferry County Selected Revenue Compared to All Counties, Small Population Counties and Neighboring Counties

Seven Smallest Population Counties	2005 Population Estimate	2005 Unincorporated Population	Percentage Unincorporated Population	2003 Sales Tax Revenue	Unincorporated Per Capita	2003 CE Property Tax without Diverted Road Tax	Unincorporated Per Capita	2003 Misc Revenue	Unincorporated Per Capita	Per Capita Combined Revenue
Columbia	4,100	1,255	30.6%	\$131,099	\$104	481058	\$383	\$131,621	\$105	\$593
Ferry	7,400	6,425	86.8%	\$247,907	\$39	\$622,845	\$97	\$180,673	\$28	\$164
Garfield	2,400	885	36.9%	\$96,816	\$109	\$279,910	\$316	\$77,343	\$87	\$513
Lincoln	10,100	4,470	44.3%	\$386,408	\$86	\$1,239,661	\$277	\$166,722	\$37	\$401
Pend Oreille	12,200	9,210	75.5%	\$501,143	\$54	\$1,225,979	\$133	\$234,570	\$25	\$213
Skamania	10,300	8,299	80.6%	\$314,762	\$38	\$1,323,560	\$159	\$3,842,675	\$463	\$660
Wahkiakum	3,900	3,350	85.9%	\$164,737	\$49	\$285,174	\$85	\$2,213,260	\$661	\$795
Smallest Population Counties Average	7,200	4,842	67.3%	\$263,267	\$69	\$779,741	\$207	\$978,123	\$202	\$478
Statewide	6,256,400	2,438,882	39.0%	\$678,113,929	\$278	\$654,470,240	\$268	\$185,205,832	\$76	\$622
Neighboring Counties										
Okanogan	39,600	23,870	60.3%	\$1,655,705	\$69	\$3,636,004	\$152	\$871,356	\$37	\$258
Stevens	41,200	31,621	76.8%	\$1,720,667	\$54	\$4,146,460	\$131	\$679,907	\$22	\$207

Notes:

- 1) State Budget, Accounting and Reporting Code 311, 313, 317,332, 335, 336
- 2) Does not include beginning fund balance sources:
 - Office of Financial Management April 2005 Population Estimates
 - State Auditors Office, Local Government Financial Reporting System, 2003
 - 2004 Diverted Road Tax, Washington Association of County Officials

Diverted Road Fund Property Tax

The largest single revenue in the Ferry County Current Expense fund is diverted Road Fund property tax. Ferry County is the only county in the state where this is true. Current Expense fund revenue from this source is estimated to be \$770,000 for 2005. State statute sets aside property taxes levied for support of the county road system in the County Road Fund. Small counties are allowed to divert 100% or shift county road tax to the Current Expense fund if they meet specific criteria.

Ferry County has a 737-mile road system. Paved roads represent 29% of total county road miles. In addition to county roads the following entities own and maintain roads in the county:

TABLE 5: Ferry County Road and Highway System, 2004

Government Agency	Miles of Roads or Highways	Percentage of Total Road Miles
Ferry County	737	41%
Bureau of Indian Affairs	368	20%
State Department of Natural Resources	359	20%
US Forest Service	175	10%
State Department of Transportation	156	9%
City of Republic	12	.6%
State Department of Parks and Recreation	6	.3%
US Park Service	2	.1%
Total Road or Highway Miles	1,815	100%

Source: State Department of Transportation, HPMS Data 2004
 Note: Mile measurement is of full road width not individual lanes.

According to the County's road condition report that is filed annually with the state County Road Administration Board (CRAB), road conditions in the county have deteriorated significantly over the last ten years. County road condition is measured using a set of standards applied in all counties across the state. The table below compares the 1994 and 2004 road condition report for 214 miles of paved County road.

Table 6: Ferry County Paved Road Condition, 1994 Compared to 2004

Roadway Miles Rated for Repair	1994	2004
Chip or Slurry Seal	17.34	4.09
Overlay	10.18	5.25
Replacement	18.34	53.25
Total Miles Needing Major Repair	45.86	62.59
Percent of Road Miles Needing Repair	21.43	29.25

In order to compare Ferry County to other counties with similar weather and travel conditions that do not divert County Road Fund property taxes to the Current Expense fund, Stevens and Okanogan Counties (also in northeastern Washington) were selected for comparison. Both counties' road conditions are significantly better than Ferry County (see comparison tables below).

Table 7: Stevens County Paved Road Condition, 1994 Compared to 2004

Roadway Miles Rated for Repair	1994	2004
Chip or Slurry Seal	3.68	2.15
Overlay	0.93	5.53
Replacement	1.49	7.34
Total Miles Needing Major Repair	6.1	15.02
Percent of Road Miles Needing Repair	1.29	3.18

Table 8: Okanogan County Paved Road Condition, 1994 Compared to 2004

Roadway Miles Rated for Repair	1994	2004
Chip or Slurry Seal	1	21
Overlay	0	7
Replacement	0	0
Total Miles Needing Major Repair	1	28
Percent of Road Miles Needing Repair	Less than 1	5.5

Note: Total road miles in 1994 were 680; in 2004, 510 miles

If road tax diversion continues in Ferry County at the same rate, it is likely that the paved road system will continue to significantly deteriorate because the County will lack the funds to invest in maintaining its system. Over the last ten years the County has added an average of 3.5 miles of roadway per year to the amount of paved roadway in the county needing replacement. The estimated cost to rebuild this annual amount of roadway is \$2.6 million to \$1.4 million in 2004 dollars per year. At some point, if not rebuilt, these roads will need to be closed or join the gravel road portion of the County road system. In 2004 the County had fifty-three miles of road that needed reconstruction or about 25% of its total paved road system. If the same rate of roadway deterioration continues for the next ten years then 41% of the county road system will need replacement by 2014 increasing replacement costs from a range of \$39.8 million to \$21.2 million in 2004 dollars to \$66 million to \$35.2 million in 2004 dollars. These estimates assume replacement costs of \$750,000 per mile for roadway miles needing sub-grade replacement or \$400,000 per

mile of roadway where the sub-grade can be re-used. The longer the roads go without being rebuilt the more likely that the sub-grade will need to be replaced.

Lack of an adequate paved road system is a significant issue for the county, its citizens and businesses. Road transportation is the only mode of transport for most of the county for freight, bringing goods to market and residential and small business operating requirements.

Over the last 18 years (1988 to 2005) the County has diverted a total of \$7.7 million of road tax dollars to the Current Expense fund. From 1994 to 2004 a total of \$5.1 million was diverted. These funds would have been sufficient to reconstruct between 10 and 13 miles of road or repair approximately 200 miles of road.

Ferry County diverts proportionately more Road Fund property tax than any other county in the state. There were 13 counties out of 39 that diverted road tax to the Current Expense fund in 2004. The average diverted by the 12 counties other than Ferry was 13.6% of road tax proceeds ranging from 3.1% to 48.4%.

Ferry County diverted 79.8% in 2004 and 100% in 2005. Of the seven small population comparison counties (Columbia 48.4%; Ferry 79.8%; Lincoln 17.8%; Garfield, Pend Oreille, Skamania and Wahkiakum 0%) the average diverted was 33% without Ferry. If Ferry County diverted the state average of 13.6% then the total funds diverted would be \$105,400 out of \$775,000. If the County diverted the average of small population counties or 33% then the total funds diverted would be \$255,750 of \$775,000 in 2005.

In order to determine whether a shift of property tax would benefit the County to a greater extent than diversion, calculations of revenue for 2004 were completed for both diversion and property tax shift. A shift in road tax to the Current Expense fund would only net the County \$1,230 more than diversion and decrease the flexibility the County now has of diverting differing amounts from year to year.

Current Expense Expenditures

The second part of the County's financial picture is its expenditure level. Personnel expenditures are the County's largest expenditure item, as with all counties. Personnel expenditure and employee compensation levels in Ferry County do not exceed the average practices in other small population counties of the state on a per capita basis. In many cases the County's expenditure levels are lower than the average small population county. The few exceptions are discussed in detail in the "Alternatives" section below. Employee compensation is at or near the lowest in the state. Data in Tables 1 and 2 on pages 27 and 29 compare the number of Ferry County employees and their compensation to the other small population counties in the state and neighboring counties.

Compensation practices affect the counties ability to attract and retain employees. Compensation levels are often a difficult policy issue. If compensation levels are too high relative to local economic conditions the community is often very concerned. On the other hand, if compensation levels are too low then the County has a difficult time recruiting and retaining employees, especially in technical, professional and management positions resulting often in poor service delivery. Compensation levels may also affect

morale and performance of employees either positively or negatively which is ultimately reflected in the quality of service delivery and an employee's attitude toward their employer and their customers or constituents.

New Revenue Available in 2006

Starting in 2006 there will be some positive changes in revenue available to the County due to legislative action at the Federal and State levels. While these changes will assist the County they are not enough to address the County's fiscal issues and additional actions will be required. Estimated changes include:

- An increase is proposed in the Federal in-lieu-tax payments (PILT) made to local governments with large amounts of federal lands within their boundaries starting in 2006. These changes are made in the Interior and Related Agencies Appropriation Bill. While the U.S. Senate passed an increased appropriation, decisions are yet to be made to balance the budget and deal with the federal deficit.
- The Washington State Legislature passed a number of bills in its 2005 session that will impact county funding. Of these bills the following impacts are estimated for Ferry County:

1. *Financial Assistance to Cities and Counties (Senate Bill 6050)*

This bill provides funding assistance from Real Estate Excise Taxes for counties and cities with the lowest taxing capacities that were affected by the repeal of the Motor Vehicle Excise Tax. Temporary assistance has been provided by the Legislature for the last three biennia. Ferry County is projected to receive approximately the same amount that it has received in prior years in 2006, \$269,000. Real Estate Excise Tax receipts are subject to cyclical change with variations in the real estate market statewide resulting in potential annual increases and decreases in the county's receipts from this source of funding.

2. *Court Reform (Senate Bill 5454)*

This bill revises the fees charged by District and Superior Court, provides additional funding for indigent defense and revises the method of funding District Court Judge's compensation, previously funded entirely by local government. The State Administrative Office of the Courts Fee estimates this change will generate an additional \$6,263 in revenue to Ferry County in 2006 (assuming the collections and case filings by type and quantity remain the same as 2004). The state begins reimbursing the county for part of the District Court Judge's salary in 2006. In 2008 the total savings to the County is estimated at \$18,953 per year. Ferry County will qualify for additional funding for indigent defense and dependency legal representation, but it is unclear how much funding would be available at this time.

- 3. *Transportation Funding (Senate Bill 6103)***
This bill increased the state gas tax (motor vehicle fuel tax) over four years by 9.5 cents of which one-half of one cent goes to county government. Ferry County would receive approximately \$150,000 per year in additional motor vehicle fuel tax revenue beginning in 2007 and \$75,000 in 2006. A statewide Initiative has been placed on the November 2005 ballot to repeal this tax increase.
- 4. *Collection of Real Estate Excise Taxes and Preservation of Historical Documents (House Bill 1240 and HB 1386)***
These bills provide the funding for implementing County collection and reporting procedures for state and local Real Estate Excise Taxes and state requirements for the preservation of historical documents. These County activities, required by state law, will be more fully reimbursed than in the past. The Ferry County Auditor received \$2,300 from historical document surcharges in 2004 at the new surcharge rate revenue could increase to \$5,750 or an added \$3,450.
- 5. *State In Lieu of Tax Payments for Conservation Properties (SB 5396)***
This bill in Section 11 and 12 provides for payments-in-lieu of taxes from the State of Washington for two classifications of conservation lands. The Department of Natural Resources has a large number of acres of land in Ferry County but none fall into the conservation categories affected by this bill.
- 6. *Omnibus Mental Health Bill (SB 5763) and the Criminal Justice Treatment Account (RCW 70.96A.350)***
The Omnibus Mental Health bill provides the authority for a county's legislative authority to impose an additional one-tenth of one cent sales tax. Funds are to be used for mental health and substance abuse treatment. Part of the funds may be used to offset court costs for mental health and substance abuse special dockets in District and Superior Court. An additional one-tenth of one cent sales tax would generate approximately \$33,000 per year. The Criminal Justice Treatment Account was established by the legislature prior to 2005, but funding for treatment of substance abusing criminal offenders was doubled beginning in July 2005 from \$8.9 million statewide to \$16.8 million. While treatment costs of offenders do not come from the County's Current Expense fund any impact of treatment on re-offender rates would impact the Current Expense fund by reducing court, jail and law enforcement related costs.

The total new revenue available to Ferry County from state sources for 2006 is approximately \$138,450 of which \$75,000 is based on increased motor vehicle fuel taxes.

Summary of Financial Issues

Adding several factors together, the County needs to reduce expenditures or increase revenue in the Current Expense fund by \$430,000 to meet operating and fund balance requirements. In addition, replacement funding should be found to reduce diversion of road property taxes by \$514,000 to \$665,000 per year and improve compensation for employees by at least \$195,000 per year. Total corrective measures would range from \$1.1 to \$1.3 million per year. Individual factors contributing to the County's financial issues include:

- The County's 2005 current expense budget shows the County expending all but \$45,000 of its fund balance by the end of the year. The Management Report recommends a 2005 Current Expense fund ending fund balance target that will result in 1.5 times average expenditures being available in the lowest cash month of April - - \$685,000 or \$94,000 more than ending cash in 2004. Ultimately, the County should consider an \$819,000 ending fund balance or a balance sufficient to have on hand two times average expenditures in the lowest cash month.
- In order to keep its spending within its means the County needs to either reduce Current Expense fund expenditures or increase revenue so that current expenditures balance with current revenue -- \$3,032,000 was the balance point in 2004 when expenditures were \$173,000 greater than revenue. The projected balance point for 2005 is \$3,457,000. The County's adopted budget authorized \$3,660,000 or \$203,000 more expenditures than projected revenue.
- In order to help to make ends meet the County has maintained very low compensation rates (often the lowest among all county governments in the state). If compensation was raised to just below the average of small population counties it is estimated that it would cost an additional \$195,000 per year in the Current Expense fund.
- The County has at least an eighteen-year history of diverting Road Fund property taxes to the Current Expense fund. Ferry County proportionately diverts more road taxes than any other County in the state. One of the results has been significant deterioration in the County's paved road network. Today 25% of the county's paved road system needs to be replaced because it can no longer be repaired at a cost of up to \$40 million. Adjacent counties with similar severe weather conditions, who do not divert Road Fund property taxes, need to replace only 1.6% of their road system. In order to restore funding to the Road Fund, to prevent additional deterioration of the road system, the Current Expense fund would have to reduce or replace its largest revenue. If the County more closely following the practice of other counties in the state that divert road tax, Ferry County would need to reduce its amount of diverted road tax by \$665,000 to \$514,000 per year.

Recommended Alternatives

Alternative actions that can be taken to improve Ferry County's fiscal position vary widely in nature. Not all alternatives presented here may be feasible or timely. Given the size of Ferry County's fiscal issues a range of alternatives is presented that may address short and long term components of the County's fiscal condition. Additional financial risks have been identified, where appropriate, if they were presented during the course of the management study data collection. Not all areas of financial risk however were assessed due to time constraints and therefore additional issues may present themselves over time that are outside the parameters of the present study.

This section of the report is broken down into three parts: increasing revenue, decreasing expenditures and operating issues. The County Commissioners can implement some alternatives described in this section, some must be implemented in collaboration with others, and some require action by the State of Washington. An estimate of the financial impact of each alternative is included for reference.

The size of the financial issues in Ferry County will not allow Ferry County to address them on their own. Under the current local government tax structure and state statutes, Ferry County will not be able to provide basic local government services to its population. The County could make dramatic cuts in personnel and hours of service to balance revenue with expenditure levels and maintain its paved road system but a strong argument could be made that basic local government services would not be available to citizens of Ferry County at a level comparable to any other county in the state. In order to address its financial issues, the County would have to reduce Current Expense fund employees by 15 to 20 FTE out of the current 50 employees. Significantly reducing service hours alone or in combination would not have enough financial impact, partly because public safety would, by necessity be exempt. In addition reduced service hours would have the effect of significantly reducing compensation in a situation where compensation is already at a low point for counties in the state.

Increasing Revenue

1. Establish a Basic State Allocation To Small Population Counties (Ferry County Impact \$604,000 To \$5.7 Million Per Year)

Every county in the state is charged by the State constitution or statute with the responsibility of providing basic local government services. Some of the services are carried out using service delivery methods determined locally and some of the services are carried out following prescribed state (and sometimes federal) service delivery methods. Each county provides a group of core services that must be financed locally regardless of the size or character of the county's tax base. In addition, as we have seen, the smaller population counties in the state are more dependent than their counterparts on state and federal intergovernmental revenue to meet their basic service requirements.

In order to assure that every county in Washington can provide basic local government services to every citizen of the state, the state could choose to make an allocation from its general fund. Every county that does not have a large enough tax base to support its basic service requirements would receive an allocation based on how far the county is below a standard threshold. Counties may need to meet certain “tax effort” tests in order to qualify for all of their state allocation.

For example, if the standard threshold for counties under 13,000 population was the state average unincorporated population revenue per capita (\$937) described in Table 3 shown on page 36, then all counties under 13,000 not meeting that threshold would receive a state allocation that would bring them to the state average. Using this example standard, Ferry County would qualify to receive \$604,000 in additional annual revenue. No other small population county would receive assistance because their unincorporated per capita revenue exceeds the state average. An alternative standard would be to provide a state allocation to every small population county that received less than 85% of the small population county average unincorporated per capita revenue. Using this standard, four counties would qualify for assistance (Ferry, Wahkiakum, Skamania and Pend Oreille) totaling \$13.5 million per year of which Ferry would qualify for \$5.7 million.

2. *Revise the State Allocation And Use Restrictions On A Package Of Existing Revenue Sources For Small Population Counties (Ferry County Impact Up To \$600,000 Per Year)*

This alternative involves revising existing state statutes to provide more flexibility in the use of a group of existing local and state revenue for small population counties. Revenue sources were selected that cannot currently be used for the support of general government. Information on the revenue and the number of jurisdictions currently using each revenue source is from the Department of Revenue Tax Reference Manual

http://dor.wa.gov/content/statistics/2005/Tax_Reference_2005/default.aspx

Potential revenue sources and their Ferry County revenue impacts are described below:

- ***State Sales Tax Diversion (.08 cents) – RCW 82.14.370***
This taxing authority is limited to rural counties with a population density of less than 100 people per square mile. Thirty-two counties of Washington’s thirty-nine counties utilize this authority. Ferry County received \$30,000 from this source in 2004. The use of the proceeds from this source is limited by state statute. The statute could be revised to allow small population counties to use these tax proceeds for a specific or broad general government purpose.
- ***Conservation Futures Property Tax (.0625 Per \$1000 Assessed Value) – RCW 84.34.230***
This regular property tax levy is currently limited in use by state statute and is levied in 13 counties. Ferry County receives \$23,000 per year from this property

tax. The statute could be revised to allow small population counties to use all of these tax proceeds for parks and recreation operating and maintenance expenses or timber land acquisition and maintenance.

- ***State Assessment Against Court Fines And Fees (Public Safety and Education Account or PSEA) – RCW 43.08.250***

The state received \$21.8 million from this source in 2004 from court fines and fees collected by District and Municipal Courts statewide. Ferry County and Republic operating jointly as Ferry County District Court and Ferry County Superior Court were assessed \$35,700 in calendar year 2004 (Administrative Office of the Courts). The current statutes could be revised to exempt small population counties from PSEA assessments allowing these counties to keep 100% of all court fines and fees locally.

- ***Real Estate Excise Tax County Conservation Option (RCW 82.46.070)***

This county authority to tax real estate sales an additional 1% of the sales price of real estate is exercised only in San Juan County. Ferry County received \$130,000 from the basic county authority to enact Real Estate Excise Taxes in 2004. The current statutes limit the use of the special conservation option to the acquisition and maintenance of “conservation areas.” The statute could be revised to allow small population counties to use all of these tax proceeds for parks and recreation operating and maintenance expenses or timber land acquisition and maintenance. A 1% additional Real Estate Excise Tax would generate up to \$520,000 per year for Ferry County at 2004 real estate sales activity levels.

3. Use Of County Property To Improve Revenue Base For The County (Impact Up To \$600,000 Per Year Developed Over A Long Time Period)

Two of the seven small population counties in Washington support a significant portion of their general government services with timber sales income. Wahkiakum and Skamania Counties earned over \$1.8 million each from timber sales in 2003. While this source of income is subject to variation due to timber management practices, the type of timber being harvested and international market cycles, revenue is continuously generated independent from intergovernmental revenue. Timber is a significant resource in Ferry County and the County earns limited tax revenue from privately held timber lands.

The County has an existing property county service portfolio that contains 88 parcels totaling 610 acres. While some of this property is used for delivery (e.g. the courthouse, road maintenance yards, fairground, airport, etc.) 71 of the parcels totaling 477 acres are not shown as parks, cemeteries, or sites for county operations (Ferry County Assessor database, 2005). These parcels, if managed wisely, could significantly benefit the county. Property trades, leases, sale with reuse of the proceeds or other property management strategies could be employed to generate income and build a timber land ownership for the county. A more detailed evaluation of the county’s property portfolio and the opportunities presented would assist the County in determining a course of action. Using the County’s property portfolio to earn income, leverage economic development and meet other important county

objectives could be evaluated by a professional land management company familiar with eastern Washington.

As a benchmark or best practice, Wahkiakum County has 30,000 acres of Timber land that generate \$1.9 million per year of revenue or \$63 per acre per year. Timber land purchased in moderate sized units can be obtained for about \$1,250 per acre in Ferry County (Ferry County Assessor's Office). The County would need to acquire 9,500 acres to generate \$600,000 in annual Current Expense fund income at \$63 per acre using sustainable Timber land management practices. The County could manage the Timber lands and property portfolio itself (e.g. Grays Harbor County); contract with a private property management company; contract with the State of Washington Department of Natural Resources or the U.S. Forest Service.

4. Local Tax Measures (Impact Up To \$183,000 Per Year)

Ferry County has maximized its basic taxing authority (chiefly property and sales taxes) and has or is planning to seek extraordinary voter approved property or sales tax authority. The County levies the maximum property tax rate (\$4.05) and has adopted the Conservation Futures property tax. The County has also enacted both basic local government portions of the sales tax, the criminal justice sales tax and the basic local government portion of the Real Estate Sales Tax. Even if the County is successful in asking voters to increase property or sales taxes, because of the County's small tax base these efforts alone can not address the County's financial concerns.

The County could seek to adopt an extraordinary tax measure in Ferry County using existing tax authority. The County would have the following major options:

- **Criminal Justice Property Tax Levy (RCW 82.52.135)**
State law authorizes counties to place special levies on the ballot for Criminal Justice purposes. The levy, if approved by the voters, is a six-year levy of up to \$.50 per \$1,000 assessed property value. A 60% yes vote is required after meeting a minimum voter turn out standard. No County in the state has successfully enacted this property tax. The proceeds must be used exclusively for criminal justice purposes. In Ferry County the levy would generate \$183,000 per year at the maximum rate based on 2004 assessed value. The County attempted voter approval of a similar measure in 2004. The ballot measure failed with less than a 30% yes vote.
- **Public Safety Sales Tax (RCW 82.14.450)**
State law authorizes counties to adopt a 0.3 % voter approved sales tax for public safety. A minimum of one-third of the proceeds must be used for "new public safety" purposes. The proceeds of the sales tax would be divided -- 60% to the County and 40% to the City of Republic. Two counties in eastern Washington have enacted this sales tax including Spokane County at 0.1%. In Ferry County \$59,000 in County revenue would be generated based on 2004 tax receipts at 0.3%.
- **Parks and Recreation District or Service Area (RCW 36.69.145 or RCW 36.68.525)**

The voters in Ferry County approved a Park and Recreation District in 1988. The District includes the City of Republic and the surrounding area. The County has the authority to place on the ballot a property tax measure to provide funding to support the Park and Recreation District's operations of up to \$.60 per \$1000 of assessed property value. If the County was in the District this measure would generate \$205,000 per year at the maximum rate. The County currently supports a number of park and recreation activities and is making investments in park and recreation infrastructure to support tourism related economic development efforts. In addition, there were a number of community leaders who identified a "lack of recreational options" as an issue for the County's youth and attracting employees and employers to the County.

- ***Conservation Futures Property Tax One Time Funding Diversion (SB 1631)***
Under this bill, adopted by the 2005 legislature, the County legislative authority may authorize prior to July 2008, a ballot proposition that asks County voters to determine whether or not the County may make a one time emergency reallocation of unspent conservation futures funds to pay for other County government purposes. This provision applies only to counties with population densities of fewer than four persons per square mile and requires that specified procedures be followed pertaining to the submission of the ballot proposition to the voters. Ferry County had a \$233,000 fund balance in its Conservation Fund at the end of 2004. These funds combined with any additional unspent annual tax revenue (\$23,000 per year) could be used for other governmental purposes on a one time basis if approved by the voters.
- ***Other Sales Tax Revenue Options***
State statutes have been changed over the last ten years to authorize additional sales taxes for specific purposes. Ferry County could enact several of these taxes but the purposes for which they may be levied are limited and most will not impact the Current Expense fund. Adoption of the Mental Health and Drug Abuse Treatment sales tax for example would generate an estimated \$33,000 per year. Even if the County enacted several of these taxes the revenue would not be enough to address the County's fiscal issues.

TABLE 9: Additional Sales Tax Authority Available to Ferry County

Sales Tax	State Statute	Voter Approval	Rate	Ferry County Impact**	Number of Counties Enacted	Use
Public Facilities	RCW 82.14.048	No	0.2%	\$66,000 per year -- Proceeds go to Public Facilities Dist.	1	Sports and Entertainment Facilities
Mental Health and Substance Abuse Treatment	SB 5763, 2005 Session	No	0.1%	\$33,000	0	Mental Health and CD Treatment and Courts
Juvenile Correctional Facilities	RCW 82.14.350	Yes	0.1%	\$33,000 per year	12	Construction and Operation of Juvenile Detention and Jail Facilities
Emergency Communications	RCW 82.14.420	Yes	0.1%	\$33,000 per year	5	Emergency communications systems and facilities
Public Safety	RCW 82.14.350	Yes	0.3%	\$99,000 of which 60% County (\$59,000); 40% City(\$40,000)	2	Public Safety
Hotel-Motel Tax	RCW 67.28.181	No	2%*	Based on Hotel-Motel and RV Park Receipts, an addition to State 6.5% sales tax.	23	Promotion of tourism or construction/operation of tourism related facilities

Notes:

* Local Hotel-Motel Taxing authority in addition to the state sales tax diversion, which increases the overall sales tax rate paid.

** Based on 2004 Actual Sales Tax receipts

5. Establish Policies Or Contracts That Would Fully Fund Select Special Revenue Funds Where Operating Expenditures Exceed Revenue (Impact Up To \$90,000 Per Year In The Current Expense Fund)

The County has a historical practice of subsidizing special revenue funds that do not have adequate revenue to support their operations. Three of the funds that have received the most subsidies are funds that serve “customers”, residents and businesses in the case of solid waste, or other governmental agencies and businesses in the case of the airport and E-911 dispatch. In the same way that the County reviews current expense proposed budgets annually and makes decisions about the level of authorized appropriations for the next financial year, the County could evaluate these three funds and determine what the user rates and contract charges should be for the coming year to cover expenses. If these funds are evaluated earlier in the year than the rest of the budget there should be adequate time to communicate the needed changes with all of the users and implement user rate changes, in the case of the Solid Waste fund. This would mean budget submittals and budget work sessions devoted to these three funds would occur earlier in the budget preparation cycle than the rest of the budget.

- **Airport**

The Ferry County airport is an all-weather airport with limited hanger space, a loan car for transport and water for fire protection. Fuel, waiting room, food, over-night accommodations and all weather hangers are not available. The Forest Service would like to be able to fly fire fighting aircraft out of the airport but the run way can not currently accommodate their planes. The Wings Over Republic Event is the largest user of the airport. The Airport manager is a pilot and maintains the airport part time. The County has been subsidizing this fund at various levels including \$23,000 for 2004.

The Table below documents airport usage for 2004. The airport is important to the community for emergency services, business access, recreation and tourism. There are no fees charged at the airport but donations are accepted (\$40 in 2004). The State of Washington Department of Transportation Aeronautics Division provides \$7,980 to support annual operating costs. Capital Improvements are required for the airport to host more extensive use by the Forest Service in firefighting.

2004 Ferry County Airport Landings and Take Offs	
Wings Over Republic Event	82
General Aviation	54
Flight Services	24
Business	14
Medical	7
State of Washington	5
US Forest Service/Wings Aloft	5
BLM	1
Total	192

Modest fees (potentially using a self-service pay box arrangement similar to the State Parks) for general aviation and flight service use along with annual agreements for use for medical and Forest Service purposes would assist the airport to become more self sufficient and a bigger asset to the community. Air transport is the only other mode of transport beyond roadway transportation in the County.

- ***Solid Waste***

Annual fees or rates should cover annual expenses in this fund. The County has been subsidizing this fund at various levels including \$22,000 for 2003. Regular annual review of projected expenses should assist the County to set rates that will cover all anticipated costs for the year. Vendor contracts should call for the provision of information necessary to estimate costs at a time early enough in the year to be able project rates for the upcoming year.

- ***E-911 Dispatch***

Ferry County’s dispatch center is relatively new and dispatches calls for most governmental agencies operating in Ferry County including the federal government, state government, the Confederated Tribes, the Public Utility District, Emergency Medical Services, and all police and fire agencies. Even though Ferry County Fire Districts are staffed by volunteers, they all receive property tax revenue to pay for operating expenses. The County currently has a contract for dispatch services only with the City of Republic, the Public Utility District and one Fire District. The County currently contributes all the overhead expenses including space and information technology support, supervision of the operation and \$78,000 in current expense revenue to the dispatch center operation. While the majority of the direct funding for the dispatch center comes from telephone taxes distributed by the State of Washington, the balance of expenses should be shared by users.

The County has tracked calls by entity and could establish a cost sharing formula based on the number of calls related to each entity in the prior year, see example in Table below. A modest participation fee may also be appropriate to help offset a portion of the County’s overhead expenses. There are many example dispatch contracts available for the County to use. Examples can be obtained from other counties with dispatch centers and from the Municipal Research and Services Center. Of the seven small population counties in the State in 2003, Wahkiakum County received the largest proportion of per capita income from dispatch services.

TABLE 10: Ferry County Dispatch Example Cost Sharing Plan

Entity	2004 Radio Calls**	Percentage of Total	Share of \$195,000*
Ferry County	29186	56.4%	\$109,904
Republic Police	12006	23.2%	\$45,210
Curlew Fire and EMS	1154	2.2%	\$4,346
Republic Fire and EMS	4751	9.2%	\$17,891
Colville Tribes	592	1.1%	\$2,229
Washington State Patrol	1430	2.8%	\$5,385

State Game and DNR	725	1.4%	\$2,730
Forest Service	101	0.2%	\$380
PUD	372	0.7%	\$1,401
Other	1467	2.8%	\$5,524
Total	51784	100.0%	\$195,000

Notes:

*Assumes 2005 budget plus 20% for space, supervision, business services, and IT support less

E911 and utility revenue.

** Radio calls were used instead of CAD calls because numbers for all agencies were not available.

6. Maximizing Revenue To Current Expense Fund From Special Revenue Funds And Grants (Include Charges, Where Allowed, For Central County Business Services And Space As A Part Of Grant And Special Fund Expenses, Impact Up To \$50,000)

This revenue alternative includes both acquiring grants and maximizing grant and Special Revenue Fund resources. The County in 2005 created a position in the County Commissioner's Office whose primary responsibility is the seeking of grant funding for the County. The position will likely be paid for by grant administration funding that comes with many grants. This is a wise investment for the County and can be used to best advantage for capital improvements that can not otherwise be funded by current resources, funding for economic development activities that will further the long term growth of Ferry County's tax base, operating funding that will assist the Current Expense fund and operating funding in special funds where the Current Expense fund has been subsidizing the service.

The County generally does a good job of charging Special Revenue Funds and grants for the direct costs of service delivery and direct administrative and overhead costs (program personnel and operating costs, grant or program administration, grant accounting, program space costs, insurance etc.). The County has not traditionally charged for indirect services that are provided by the business operations functions of County government. These functions include a share of the cost of budget and accounting, audit, general County legal services, human resource or personnel management costs and information technology network and desk top support. The cost of these functions includes personnel, operating and space costs. In order to charge grants and special revenue funds for these services a schedule of charges needs to be developed (and in some cases an "indirect rate" approved by the granting agency) and a system developed for charging other funds and grant accounts. Each year the schedule of charges needs to be updated as expenses change and forwarded to the effected departments to be included in their budget submittals.

As an example, the Current Expense fund bears the full cost of the biennial state audit. The last audit cost around \$41,000. The audit covers all funds of the County as well as state and many federal grants. The Current Expense fund represents only about 40% of

the total amount of funds that were audited. Special Revenue Funds and some major grants could have been charged for their portion of the audit costs at about \$20,000.

7. Economic Development And Higher Education Investments To Broaden and Stabilize Tax Base Over Time (Impact Up To \$4.05 Per Each Additional \$1,000 in Assessed Property Value and One Cent To 0.15 of One Cent of Revenue From Every Additional Retail Sales Tax Eligible Sale In The County)

The Ferry County community has heavily invested in economic development. In recent years the focus has been on reconstructing the “face” of the City of Republic and re-training and employment of unemployed workers. A multi-County economic development district operates in the County along with a Public Development Authority created by the City of Republic, a Visitors Bureau and a Chamber of Commerce. The State of Washington recently presented Ferry County to a corporate site selection team as a potential site for a new solar panel manufacturing plant.

While economic development is universally seen as a need by everyone interviewed for the Management Study, there was diversity in opinion about community priorities. While almost everyone mentioned the solar panel manufacturer project and tourism the next focus was varied. Even fewer connections were made between existing governmental activities in the County and success in the economic development arena. Below are the themes that emerged from the interviews.

Small Business Development and Marketing

Development of small business in Ferry County dovetails well with the county’s tradition of independence. Two separate themes emerged, one focused on agriculture and one on small goods production businesses. The Economic Development District, Washington State University, the Gates Foundation, USDA Forest Service, and the County have partnered to work on an effort to provide one-on-one or small group assistance to develop the skills needed to increase the profitability of the County’s 212 small businesses. After the first six months of the pilot, work with 50 to 60 small businesses has increased income by 25% or added one employee to 16 businesses. The objective is to work with 75 businesses over one year to meet the same success benchmarks. In addition to the training and skills development component of this project a cooperative marketing effort has been put together to market Ferry County products outside of the county via the Internet. The marketing portion of the project is due to launch in October of 2005.

The second theme focused on agriculture and the 240 family ranches and farms in the county. These efforts, seen as being lead by the Extension Service, focus on: basic business skill development for ranchers and farmers in the areas of packaging products, pricing and financing their operations; the reduction of production costs for ranchers and farmers to help them compete; and the identification and expansion of new markets (niche markets) for products currently produced or value added products that could be produced from raw materials already in production in the county. Timber products and beef products were most frequently mentioned. Focused market analysis of potential

niche markets that small business may expand within could be important to the successful development of these companies and the effective marketing of their products.

Tourism

Tourism was uniformly identified as an economic development strategy for the county. The county has many assets, some of which are unique in character or quantity, which can and are being used to further this goal. For example, many counties in eastern Washington have All Terrain Vehicle (ATV) or snow mobile trails but few have 200 miles (ATV) or 350 miles (snow mobile) of trails. The strategies identified to encourage the next level of tourism development in the County include:

1. Expanding tourism in fall and winter in order to increase profitability and stability for existing businesses as well as providing a base for expansion funding.
2. Developing tourism in ways that leave more of the tourist's dollar in Ferry County.
3. Build on the assets of the county to develop a stable and unique tourism industry.

Each of these strategies requires the County and other stakeholders in economic development to agree on actions that can be taken to carry them out. While several people mentioned activities that could individually, or as a package, draw additional tourists to Ferry County in the fall and winter it appears that no specific plans have yet been made to do so. For example, family activities that might compliment hunting or the winter holidays offering a package of cross country skiing or snow mobile excursions with Christmas tree outings, sleigh rides, "a taste of Ferry County," etc. Package trips would leave additional monies in Ferry County as the visitor pays for the service of packaging the trip, sometimes transportation and the event such as acquiring a Christmas tree by sleigh. These payments to local business would be in addition to food and lodging or RV slot rental. If the visitor was also given numerous opportunities while in the county and after they returned home to see and purchase products made in Ferry County even more dollars would remain in the county.

Ferry County is a part of the old west with the extra lure of the gold mines. Even today the county could be considered a piece of the "wild west." Working with this and other unique themes the community could cooperatively build and market tourism packages to attract tourists with dollars, but limited time or skills to develop excursions for themselves. The list of individual activities and experiences the county offers is long but the average person would need to visit the county multiple times in order to string several of them together. A summer or fall example of a "wild west" package might include: lodging at a guest ranch, the opportunity to shoot a six-gun at the gun range, a gold mining excursion, a visit to the Colville Confederated Tribes cultural center, etc. Again art or other locally made products could be featured during and after the trip. Excursions built around being a pioneer rancher, lumberjack, gold miner etc or themes such as geologic features or wild life would be other possibilities.

Hotel-Motel Tax receipts could be used to finance the marketing and packaging efforts described above.

New Major Employer

The County, State and many others have worked together to attract a new major employer to the county. The latest effort to locate a solar panel manufacturer shows what can be done with focused coordinated effort. Even though the proposal made by the State and County was unsuccessful, much of what was done can be re-used and will allow the County to extend what was learned to its next opportunity. Taking the time to sit down and evaluate what types of firms might be most likely to find Ferry County attractive based on the feedback received from the solar panel company and other sources will assist the County and State to focus their marketing and site selection efforts.

There are limited sites in Ferry County that lend themselves to industrial development. One of the sites is a former lumber mill adjacent to Lake Curlew that may require some environmental clean up in order to be suitable for re-development. Investigation of funding from the state or federal level to accomplish or assist with clean-up may be essential to attracting a new user to this or other sites.

Telecommunications Infrastructure

The County has very limited high speed Internet access outside of Republic. If not available, this essential commerce and communication tool in today's world will limit the County's ability to participate in economic growth. Because the county's character and strength is built on being remote and rural it is likely that high speed access will only be available if subsidized and delivered widely. Efforts have been made to apply for funding from the Community Development Block Grant program of the State of Washington and the US Department of Agriculture. The Public Utility District was at one time approached to take on this service, which it would be allowed to do by statute. The existing non-profit television cooperative (which offers cable television service) is another potential provider. Continuing to work on expanding Internet access is essential to the success of many types of economic development in the county.

Retirement Population

While not a uniformly recognized economic development initiative many of those interviewed mentioned the impact of the retiring baby boom population on Ferry County. In fact, the county is forecast (State Office of Financial Management population forecast) to grow significantly in the number of persons over 65 residing in the county through 2025. Rather than rely on services located in Stevens or Okanogan County, a market for services and products catering to retired persons may be developed in Ferry County. There may also be more of a market among the older population for recreation amenities that would partly fill business needs in fall and winter low tourism seasons.

Barriers to Success

The County has in place many of the attributes that are required for success in economic development – focus; research; a planning, prioritization and resource allocation method; and participation of the major stakeholders. During the course of the Management Study four barriers to on-going success were identified that can be addressed by the County or in cooperation with others:

1. *Land Use and Environmental Issues*

The County and City of Republic have the ability to reduce or increase risk for small and larger business in the selection of sites or the operation and expansion of a business through its land use plans and development codes. In Ferry County this is true for the hundreds of family enterprises as well as the more traditional commercial business and industrial locations in Republic and surrounding areas. The County and City can establish through their land use plans and development codes permitted uses; in some cases performance or development standards and the attributes of permitted uses so that special permitting or extensive public process is not required in order to execute new development and expand small business operations. In addition, the County and city set the stage for development dispute resolution through their own processes and the relationships that are established with the various parties in common disputes. Since many of the county's opportunities for economic development are tied to its natural environment and resources there is a mutual positive connection between environmental concerns and economic development that come together in development regulation.

There are a number of active environmental groups with an interest in Ferry County's rich natural resources and heritage. Ferry County has experienced numerous appeals to the Washington State Growth Management Hearings Board over the last six years. In addition, because of the size of the county, its limited finances and its rate of growth, the staff resources that have been available to carry out the County's land use planning and code enforcement functions have been extremely limited. As a result, the County's comprehensive plan is not in compliance with the State's Growth Management Act requirements. The plan itself is due for an update by the end of 2007. The County's current land use plan and development regulations do not provide significant expansion area for business, nor do they establish permitted uses or development standards that allow for simplified business expansion. Aligning land use planning regulation and economic development objectives is important to success of economic expansion efforts. Further, if the County has a good working relationship with the environmental community, the resolution of disputes that may threaten economic development efforts is easier and less time consuming, and less of an overwhelming concern for business.

There are four specific steps that the County could take to address this issue:

- a) Build on the recent success that the Forest Service has had in working with the environmental community and work toward a mediated resolution to the pending Growth Management Hearings Board appeals. The State offers mediation for appeals. The County could specifically request an outside party or someone with experience in the Forest Service collaborative process to provide mediation. The County could also work to establish a system for addressing future disputes as part of the mediated agreement.
- b) Provide consulting assistance to County Planning staff in order to accomplish needed changes to current land use plan and development code documents. There are several consulting companies with eastern Washington experience that are

able to work with the County to meet its unique needs. Funding is available in the County's Growth Management fund budget (\$30,000) and from Legislative appropriation in Department of Community, Trade and Economic Development's fiscal year 2007 budget for Growth Management grants that are earmarked for Comprehensive Plan required updates (estimated at \$20,000 to Ferry County and \$2,500 to Republic). If the Legislature provides the same level of funding for Growth Management grants in the next biennium, Ferry County could receive \$40,000 in fiscal year 2008 and \$5,000 for Republic to assist them in updating their plans. Technical assistance is also available from the department. The State of Washington could also consider providing financial assistance in order to meet both Ferry County's economic development and Growth Management planning needs.

- c) Request a consultation from the Washington Chapter of the American Planning Association. The Planning Association will provide a free consulting panel to the County to provide specific recommendations regarding aligning the economic development, environmental protection and unique characteristics of Ferry County with the requirements of the Growth Management Act and the County's Plan and development regulations. The panel's work, if acceptable to the County, could provide the basis for the consultant's services above.
- d) Revise the existing Ferry County and City of Republic Land Use Plans and Development Regulations to align with the economic development needs of the County in flexible ways that allow all parties to take advantage of opportunities as they arise. Alignment should include adequate land designated for development or redevelopment of the type being encouraged in key economic development initiatives; development regulations that permit activities that are being encouraged; and regulatory provisions that minimize permitting or permitting timelines.

2. Continuity of Marketing and Training

In order to have a significant impact in Ferry County the current small business marketing and training efforts, perhaps modified over time to meet the changing needs of the small business community, need to be in place for many years. Finding ways to support these efforts on a continuous basis should be a priority in order to maximize the impact on the local economy. There is the potential for engaging the assistance of WSU and Spokane Community College in offering a package of programs that will meet these needs. The community college system has specific workforce training objectives and Ferry County, being the most economically distressed county in the state qualifies for assistance. The County however, is small and the economics of community college and University training is such that a subsidy will likely be required in order to offer what is needed over an extended period of time. A video-linked community college classroom is available at the Hospital and several other facilities in the community could lend themselves to video assisted classes. Eventually, if the existing training program is transferred to the higher education system, time to convey curriculum, best practices and build relationships will be important to an effective hand off that will build on current successes.

3. *Celebration of Success*

Celebration of success has often been shown in business and not-for-profit service to breed success. Ferry County has many success stories to celebrate and more to come. Recognizing accomplishments by community leaders, volunteers and individual businesses in transforming downtown Republic; the individual success stories of small businesses that are expanding from the small business pilot or Extension Service efforts in the County; or featuring dimensions of the tourist industry in the County all give the message that Ferry County is going somewhere. Celebrating success not just once but in as many community forums as possible is essential to maximize the effect. The County can play an effective leadership role in promoting community success because of their unique access to so many facets of the community in the course of their regular activities.

4. *Communication and Focus on Economic Development Priorities*

While there are many organizations in the County whose mission relates to economic development there seemed to be no forum for continuous communication among the community's opinion leaders and major stakeholders that allowed for collaboration. Again the County could play an effective leadership role in convening an informal group of community leaders from business in key industries, small business enterprises in key industries, economic development and governmental leadership to discuss progress and address barriers to success. Quarterly or monthly meetings may be sufficient to meet the County's needs. This group may be connected to one of the existing organizations either initially or as the need arises.

Decreasing Expenditures

This section of the Management report identifies alternatives that may be implemented to reduce expenditures, primarily in the Current Expense fund.

Consolidate General Government Operations

The County has benefited in the past by consolidating service delivery either among jurisdictions in the County or between counties such as the Tri-County Health Department and the Joint Superior Court Judicial District. This alternative identifies additional consolidation alternatives internal to the County's operation. The feasibility of these alternatives is greatly enhanced by technology and commonly used, modern internal financial controls that were not available decades ago when County government was originally established in the State Constitution and statutes.

Consolidate County Auditor, Assessor And Treasurer Functions (Impact Up To \$86,000)

This alternative requires a change in state statutes. At the present time statutes require that three elected officials be elected in each Washington county to fulfill the responsibilities of auditor, assessor and treasurer. Generally, each elected officer needs to have at least one additional staff member, even in very small population counties, to help to administer the systems in their office and train for replacement of the elected official for whom they work. The three county functions work with records, property, taxation, administration of state and county codes, or internal county financial operations. Consolidation would allow for the creation of a chief financial officer for the County, facilitate the use of integrated software for major business functions of the County and provide an opportunity for the streamlining of business functions, customer service, and taxation related jobs.

The State constitution currently allows the Legislature to consolidate constitutionally created county elected positions under Article XI, Section 5. The Legislature must create county "classifications," which do not exist now in state statute, in order to consolidate constitutional elected positions (Clerk, Treasurer, Sheriff, Coroner, Prosecuting Attorney, etc). RCW 36.16.032 currently permits counties of less than 5,000 population to combine the County Clerk and Auditor positions, but no county has exercised this option. RCW 36.16.030 also allows the Coroner to be consolidated with Prosecutor in counties of less than 40,000 population. A number of counties have exercised this consolidation authority.

Consolidate County Clerk's Office With Superior Court Judicial District Administration – (Impact Up To \$40,000)

The County Clerk as an elected position, works primarily as the "filing" and records arm of the Superior Court in most small population counties. Although authorized to provide support and records for the Legislative Branch (County Commissioners) most counties have a Clerk of the Board that serve the bulk of these functions. Ferry County is part of a consolidated Judicial District with Stevens and Pend Oreille Counties. The Court

Administrators for the Joint District work with the separate County Clerks offices of each county to process cases filed with the court. Consolidating the functions of the County Clerk and the Court would allow further streamlining of the court's operations. There would likely be concern that citizens would not have local access to the services that the Clerk's Office currently provides if consolidated. This concern could be addressed by the Court choosing to locate court staff at the Ferry County courthouse. The Court could also use the existing video access for complicated matters that require face to face interactions between citizens and a court officer in Stevens County where the Joint Judicial District staff are currently located. See prior alternative above for statutory and Constitutional provisions.

City-County Consolidation And Home Rule Charter (Impact Up To \$451,000)

Article XI, Section 16 of the Washington State Constitution allows counties and the Cities within them to consolidate into one governmental entity. Since Ferry County has only one city within it, a city-county consolidation is a practical consideration. No county in Washington has exercised this option. In order to implement a consolidation, an election must be held and a consolidated government charter must be developed by representative freeholders. It appears that the consolidated government could have the taxing authority permitted by state statute of both the county and city, if authorized under the Charter. Republic has an operating budget of \$451,000 and City operated utilities with annual revenue of another \$674,000. The County would be assuming all of the responsibilities of the City. The number and manner of election of the consolidated government's legislative body and any separately elected officials would be determined by the Charter. Elected representatives of the consolidated government would represent citizens of both the City and the County. City and County assets would become the assets of the consolidated government.

Charter County – (Impact Up To \$100,000)

Article XI, Section 4 of the Washington Constitution allows counties to determine the structure of their government by Charter. Each Charter County can determine the number and manner of election of the government's legislative body and any separately elected officials. In order to implement a charter, an election must be held and a charter must be developed by representative freeholders. The draft Charter may consolidate several elected offices. There are four charter counties in Washington: King, Pierce, Snohomish and Whatcom. Of these four counties, all include an elected Executive and additional County Council-members in the Charter; three moved to an appointed Clerk, one combined the Treasurer and Assessor, and to an appointed Auditor and Sheriff. Ferry County could independently consolidate the offices of the Auditor, Assessor and Treasurer or move to consolidate the County Clerk function with the Superior Court through a County Charter.

Eliminate Funding For “Discretionary” Services

This alternative was developed by evaluating the services provided in all small population counties, comparing those services to the services provided in Ferry County

and determining which services could be eliminated because they were not required to be provided by state statute.

- ***Law Library (Up to \$8,000)***

Under state law small population counties do not have to provide public law libraries. Ferry County provides a public law library as a part of the Prosecuting Attorney's office and funds the purchase of books to update the library each year. A law library is a key resource for the preparation of court documents for civil and criminal cases, especially in Superior Court. Over the years books have been replaced in many jurisdiction's law libraries and attorney or judge's resource collections by electronic versions available and searchable on-line. These services charge an annual subscription fee. Ferry County could revise its method of acquiring and making available law library resources with an annual savings of up to \$8,000.

- ***Parks and Recreation***

Under state law Parks and Recreation services are discretionary for counties. Ferry County owns a number of parks and recreation properties including trails, campgrounds and day use parks, a merry-go-round, an Off Road Vehicle (ORV) park, the fairgrounds, and a firing range. The County works with the Parks and Recreation District Board, the County Fair Board, and volunteers to run some of these facilities from fee and event income. Out of twenty-nine County Special Revenue Funds, six involve parks, recreation, or conservation activities. Recreation is seen as a key element in attracting tourism to the county. Acquiring grant resources for improving recreation facilities is a priority for the County. Since the County does not have a Parks and Recreation Department or a funded Parks and Recreation District, the responsibility for operating and maintaining parks and recreation facilities is dispersed among a number of self funded, current, and Road Fund financed work units. It is hard to assign a specific operating cost to parks and recreation for this reason. As the County increases its investment in Parks and Recreation, however, the cost over time will grow. Finding a funding source for Parks and Recreation that does not compete with mandatory services for current expense resources would allow the County to focus on an important economic development priority and reduce the burden currently placed on the Current Expense fund.

- ***Cemeteries***

Cemeteries are not a mandatory county service. The County owns and operates two cemeteries with the assistance of a private non-profit board. Cemeteries are generally the responsibility of Cemetery Districts (RCW 68.16.010) or cities. While not a large or time consuming service because of the efforts of the current board, liability and operating issues can be costly and time consuming in the longer term. The State Cemetery Board and staff can assist the County to identify ways to manage its cemeteries that do not involve county ownership.

- ***Airport (Up to \$10,000)***

Airports are not a mandatory county service under state law. The Ferry County airport provides some essential community services and is operated through a County Special Revenue Fund. See discussion and recommendations related to the airport on page 50.

Selected Reductions In County Staffing in Line With Workload Indicators Of 2 Or 3 Full Time Equivalent Positions (Impact Up To \$80,000)

In the process of compiling the data for the Management Study workload indicators for many of the core functions of County government were reviewed where available. In addition the number of employees assigned to various functions was compared on a per capita basis with other small population counties (See page 29). As a result of this analysis, four areas of County government were identified where workload was lower than other jurisdictions and staffing was the same or higher. These areas are:

- District Court
- County Clerk
- Juvenile Probation
- Assessor

In the case of District Court, the County Clerk and Juvenile Probation, the District and Superior Court's annual case filings were used as workload indicators and compared with the number of staff available to handle the associated work. Criminal filings are most often used as a workload comparator because they are the most work intensive. While criminal filings do not represent the entire workload, the number of employees used for comparison does represent the entire work unit and most work units handle a similar range of cases. The tables below show the staffing and workload indicators for Ferry County, the seven small population counties and statewide averages where available. One table focuses on the workload and case types handled by the District Court and the second deals with the workload and cases handled by Superior Court. You will note that in most comparisons Ferry County's cases filed per staff member is lower than the seven small population counties, neighboring counties and the state average. This indicates that the number of staff needed to process Ferry County cases could be smaller. While District Court has had higher filings in past years especially in the area of "Driving While License Suspended"; this is a statewide trend that effects other courts as well.

TABLE 11: 2004 Ferry County Superior Court Filings and Workload Compared to All, Small Population, and Neighbor Counties

	Adult Criminal	Civil	Domestic	Guardianship, Civil Commitment, Paternity, Adoption	Juvenile	Total Cases Filed	Cases Filed Per Court Staff	Cases Filed Per County Clerk Staff	Juvenile Cases Filed Per Juvenile Probation Staff	% Adult Criminal Filings of all non-juvenile filings	% Juvenile Criminal Filings of Juvenile filings
Ferry	68	130	20	34	61	313		104	61	27%	59%
Stevens	293	651	268	191	346	1749		292	77	21%	59%
Pend Oreille	78	256	80	69	115	598		168	115	16%	40%
Judicial District	439	1037	368	294	522	2660	665				
Columbia	40	86	16	35	46	223		112	NA	23%	50%
Garfield	10	29	10	15	8	72		72	NA	16%	38%
Asotin	220	344	148	202	187	1101		275	NA	24%	68%
Judicial District	270	459	174	252	241	1396	NA				
Lincoln	39	143	4262	100	83	4627	4627	1157	NA	1%	53%
Skamania	110	186	54	40	67	457		114	NA	28%	39%
Klickitat	213	401	118	84	147	963		193	NA	26%	68%
Judicial District	323	587	172	124	214	1420	473				
Wahkiakum	34	70	21	26	32	183		92	NA	23%	59%
Pacific	248	498	140	131	214	1231		308	NA	24%	45%
Judicial District	282	568	161	157	246	1414	707				
Smallest Population Counties Average	54	129	638	46	59	925	NA	260	NA	19	48
Statewide	48,161	128,009	37,703	39482	46715	300,070	659	383	NA	19%	54%
Neighboring Counties											
<u>Okanogan</u>	363	617	196	247	633	2056	685	284	NA	26%	62%

Source:

Administrative Office of the Courts Caseload and Staffing Data 2004

TABLE 12: 2004 Ferry County District Court Workload and Staffing Compared to All, Small Population, and Neighboring Counties

	2005 Population Estimate	Infractions	% Total Filings	Misdemeanors	% Total Filings	Civil	Parking	Total Filings	Misdemeanor Filings Per Court Staff
Columbia	4,100	637	65.1%	185	18.9%	128	28	978	154
Ferry	7,400	186	39.1%	170	35.7%	115	5	476	57
Garfield	2,400	1158	81.5%	205	14.4%	43	14	1,420	128
Lincoln	10,100	6416	89.5%	591	8.2%	160	0	7,167	148
Pend Oreille	12,200	1915	71.3%	556	20.7%	207	7	2,685	158
Skamania	10,300	2311	70.0%	761	23.1%	185	44	3,301	127
Wahkiakum	3,900	1037	76.8%	245	18.1%	68	0	1,350	82
Smallest Population Counties Average	7,200	1951	78.6%	388	15.6%	129	14	2,482	122
Statewide	6,256,400	666,214	66.7%	148,219	14.8%	149,062	35,709	999,204	209
Neighboring Counties									
Okanogan	39,600	2882	52.6%	1777	32.4%	814	4	5,477	247
Stevens	41,200	4888	68.3%	1194	16.7%	1070	5	7,157	213

Source:

Administrative Office of the Courts 2004 District Court Caseload Data

In the case of the County Assessor's workload the State Department of Revenue publishes an annual report that shows the number of parcels in a county compared to the number of Assessor's staff. Below is a table that compares Ferry County to the other small population counties. You will note that Ferry County has 300 fewer parcels per staff member than the state average and significantly less than Lincoln and Pend Oreille Counties. Three of the counties in the comparator group re-evaluate their parcels every year compared to Ferry County's four-year cycle. This means that in Garfield, Lincoln and Skamania Counties each parcel's assessment is looked at each year. In Ferry County one-fourth of the parcels are looked at each year for a change in assessment. Just looking at re-evaluation Ferry County processes the third smallest number of properties per year. While not as straightforward as the Court's caseload numbers, the assessor's workload comparisons may indicate more staffing than comparators with equal workload.

TABLE 13: 2003 Ferry County Assessor Staff Workload Compared to All, Small Population, and Neighbor Counties

County	Total Staff	Re-evaluation Cycle	Total Parcels	Parcels per Staff	Rank of 39	Parcels re-eval per year
Columbia	3	4 Year	5,293	1,764	4	1,323
Ferry	4	4 Year	9,470	2,368	12	2,368
Garfield	2	Annual	3,220	1,610	3	3,220
Lincoln	6	Annual	16,048	2,675	22	16,048
Pend Oreille	5	4 Year	15,247	3,049	29	3,812
Skamania	6	Annual	7,335	1,223	1	7,335
Wahkiakum	3	4 Year	3,856	1,285	2	964
Smallest Population Counties Average	4		8,638	1,996		5,010
Statewide	976.4		2,823,840	2,689		
Neighboring Counties						
Okanogan	16	4 Year	43,866	2,742	24	10,967
Stevens	16	4 Year	37,229	2,327	11	9,307

Source:

A Comparison of County Assessor Statistics, 2003 State Department of Revenue

Deliver Services in a Different Manner

This section of the Management report addresses services that may be delivered in a different manner in order to decrease the cost of service. Four service areas were identified for potential changes in service delivery:

- Jail
- Public Defense
- Additional multi-County delivery systems
- Self-service forms and answers to Frequently Asked Questions via Telephone or on the County's Webpage

Downsize Jail To a 72-Hour Holding Facility (Impact Up To \$250,000 Per Year)

The County Commissioners made a decision in August 2005 to downsize the County jail to a 72 holding facility and contract for jail services with Okanogan County. The County had been operating a full County jail service and offering beds to other jurisdictions at \$40 per day, a common eastern Washington contract rate. The County jail could accommodate up to 40 inmates. Jail beds were significantly underutilized in 2003 and 2004, with the average daily population high for both years of 13 beds occupied per day (Washington Association of Sheriffs and Police Chiefs Jail Statistics and Ferry County Jail Bed Count, 2003 and 2004). The Ferry County jail cost \$481,000 to operate in 2004 without overhead charges for space or supervision. On a per day basis inmate housing cost the County \$103 per day in 2004. Actions by the County Commissioners to contract with Okanogan County for \$40 per day will significantly reduce jail expenditures to an overall estimate of \$49 per day for 2006. See the table below for a detailed financial comparison.

TABLE 14: Ferry County Jail Downsizing Financial Impact Analysis

	2004 Actual Expenditures (CE ,CJ and Fund 116)	2005 Budget (CE ,CJ and Fund 116)	72-hour Holding Proposal (4)	72-hour Holding Proposal Modified	Notes
Salaries	\$279,531	\$301,619	\$34,879	\$34,879	
Relief Corrections Officer			\$25,582	\$25,582	
Overtime			\$2,000	\$2,000	
Longevity			\$750	\$750	
Shift Differential			\$500	\$500	
Benefits	\$80,101	\$86,876	\$19,582	\$19,582	
Supplies	\$57,892	\$75,429	\$4,600	\$4,600	
Services	\$46,272	\$29,239	\$7,000	\$7,000	
Jail Contract	\$0	\$4,020	\$146,000	\$75,254	1
Capital Outlay	\$1,361	\$1,061	\$0	\$0	
	\$465,157	\$498,244	\$240,893	\$170,147	

Other County Expenses					
Utilities	\$15,821	\$15,821	\$5,000	\$5,000	
Total Jail Cost	\$480,978	\$514,065	\$245,893	\$175,147	
Daily Per Inmate Cost	\$103	\$110	\$68	\$49	
<i>Policy Alternatives</i>					
Add Two Deputies		\$0	\$79,966	\$79,966	
Overtime		\$0	\$20,000	\$10,000	2
Jail Cost Plus Deputies		\$514,065	\$345,859	\$265,113	
Revenue	\$12,123	\$20,000	\$0	\$10,000	3
Jail Cost Less Revenue	\$468,855	\$494,065	\$345,859	\$255,113	
Actual Expenses 2004	\$468,855				
Modified Proposal	\$255,113				
Difference	\$213,742				
2005 Budget	\$494,065				
Modified Proposal	\$255,113				
Difference	\$238,952				

Notes:

- 1) 7.8 beds were used by County in 2004 less 72 hour holds, good time and alt sentences
- 2) With more officers OT should go down
- 3) Republic 72 hr holds
- 4) With Labor Contract Wage Rates

Practices to control the cost of contracting through limiting the number of jail bed days needed at another facility could be implemented by Ferry County. Practices used in other jurisdictions include modifying the “good time” policy (no reduction in jail stay for good behavior for sentences less than 30 days) to allow up to one-third good time (statewide best practice and statutory maximum); maximizing the use of home detention; and providing for sentencing that allows for weekend or multiple, scheduled short stays in the Ferry County jail in lieu of continuous jail time. The Colville Confederated Tribes will be shortly opening a remodeled 58-bed jail facility and the County would then have two contract jail options.

Over time the County has attempted to find other jurisdictions that would contract for jail bed stays in the Ferry County jail. This alternative would benefit the County if a large enough long term guaranteed contract could be arranged and decision makers found that the overall service delivery benefit was greater than other policy options, including hiring additional deputies to provide better law enforcement coverage countywide. Spokane County is the only jurisdiction large enough and close enough to provide this size contract. A 20-bed guaranteed contract would be required to match the cost savings estimate for reducing the jail to a holding facility.

The County could maximize savings from the change in jail service by reducing the number of new deputy sheriffs to be hired in 2006.

Public Defense Services (Impact up to \$40,000)

In 2004 Ferry County expended \$124,584 for a contract public defender in District Court and Superior Court. In addition, the County expended \$21,672 for defense counsel in cases of conflict and \$6,155 for representation in juvenile dependency matters for a total of \$152,411. Annual costs are estimated to be higher in 2005. The Public Defender handled the majority of the 170 District Court misdemeanors filed in 2004; 68 adult criminal filings in Superior Court and 61 juvenile criminal and civil filings. Defendants in some of these cases were represented by private attorneys. The County recovered only \$3,500 for all court costs in District Court in 2004 including Public Defense. Judges may include reimbursement to the County of a portion of the cost of Public Defense in a defendant’s sentence if they determine that a defendant has the ability to pay.

Public defense services can be provided in a number of different ways. According to a May 2002 statewide survey of public defense services, twenty eight out of thirty nine counties in the state contract for public defense services with an individual attorney or law firm (State Department of Community, Trade and Economic Development, Local Government Fiscal Note Program). Some counties employ attorneys on the County’s payroll to provide public defender services. The average statewide cost for in-house counsel is \$55 per hour for District Court and \$65 per hour for Superior Court, which includes clerical support and operating costs (Local Government Fiscal Note Program, Department of Community, Trade and Economic Development, 2005 Public Defense survey). A third option is the provision of public defense services through a “panel” of attorneys who agree to rotate case assignment for a specific fee. Finally one or more counties (and cities) may form a public defender district under RCW 36.26, which allows a hired public defender, at compensation at or below the elected prosecutor, to provide public defense services for a group of jurisdictions under the supervision of a lead County.

Based on the number of cases filed in Ferry County District and Superior Court, if all required a public defender, the County would need 1.78 full time equivalent attorneys following the Washington State Bar Association Public Defense Standards on caseload (www.defensenet.org/resources/WDAstand.htm). Standard three suggests limiting caseloads to the following in order to provide adequate time to provide effective defense counsel:

TABLE 15: Public Defense Staffing Demand, Ferry County

Recommended Standard Number of Cases Per Year Per Public Defense Attorney	Ferry County Total 2004 Court Filings	Full Time Equivalent Public Defense Need if all cases were Indigent Defense
Felonies - 150	68	.45
Misdemeanors - 300	133	.44
Juvenile Offender - 250	36	.14

Juvenile Dependency - 60	15	.25
Civil Commitment - 250	12	.5
Appeals - 25	0	0
Total	301	1.78

Not all cases filed in Ferry County require a public defense attorney, an accused person may have funds sufficient to pay for their own private attorney. In addition, defendants may choose to forgo court proceedings and plead guilty. In 2004, 37 defendants out of 170 in District Court plead guilty.

Since the Washington State Bar public defense standards are based on statewide caseloads that may or may not reflect Ferry County's caseload composition, a more detailed look at Ferry County's caseload using hours per case by case type from the Local Government Fiscal Note Program 2005 Public Defense survey was completed. Since Ferry County's caseload is primarily property crimes related, the number of hours per case is less and the analysis yielded a need for 2,305 hours of public defender time, if all cases filed required a public defender. Since all cases do not need a public defender and some cases will be provided a conflict attorney, the public defense need of the County is estimated to be one FTE or 2000 hours.

The County currently contracts for public defense services as a unit (all District, Superior and Juvenile Court cases) and the current contract expires on December 31, 2005. The County is in the process of requesting proposals for public defense services. There are only seven attorneys that are members of the Washington State Bar in Ferry County. Of those attorneys one is the elected District Court Judge, one is the elected Prosecutor, one is the Deputy Prosecutor and one is the County juvenile probation officer. Of the remaining attorneys, one is the current Public Defender and one is the County's contract land use attorney. Attorneys from outside the County would likely be asked by the County to maintain an office in Ferry County in order to be accessible to defendants. There are additional attorneys who practice in the Joint Superior Court District from Stevens and Pend Oreille Counties. Since both Superior and District Court sessions are held in the single shared courtroom in the Ferry County Courthouse, significant travel would be involved for out-of-County attorneys.

The County could continue to contract for public defense services at a flat monthly rate (approximately \$10,400 per month) or explore alternative methods. The most likely to be effective for the County are:

- Contracting for public defense services on a per case basis (with one or more than one attorney).
- Hiring a public defense attorney as a County employee.
- Working jointly with the other two counties in the Superior Court Judicial District and the City of Republic to form a Public Defense District.

Variations on these options might include providing District Court public defense services through the use of an existing County employee (such as the Juvenile Probation

Officer) and using one of the other options to provide Superior Court and Juvenile Public Defender services.

In order to compare, the cost of providing in-house public defender services was estimated using existing wage rates. The results are shown below:

Cost Estimate of Providing In-house Public Defense Services

Deputy Prosecuting Attorney Level Compensation	\$3,535
Journey Level Clerical	\$2,008
Benefits @ 25%	\$1,386
Operating Expenditures @ 35%	\$2,425
Monthly Cost	\$9,354
Annual Cost	\$112,246

This method of acquiring Public Defense services would be approximately \$1,000 per month less expensive than the existing contract and may result in fewer conflict attorney appointments. Sharing these expenses with other counties may further reduce costs by limiting some operating expenditures.

Based on the statewide survey of public defense hours per case by type, competitive per case compensation for District Court cases would be \$260 per case (including trials) or \$150 per case excluding trials and \$1,250 per case for trials held. Competitive per case compensation for Superior Court cases would be \$390 per case including trials held. Murder cases should be compensated separately due to the nature of the case.

Build On The Model Of Tri-County Service Delivery For Additional Services (Public Defender, Information Technology, Etc.)

Ferry County has been able to control some of the costs of government service provision, especially where highly trained staffs are required, through the regional provision of services. The Tri-County Health Department and the Joint Superior Court Judicial District are two examples. Under the discussion of Public Defense services an additional option for tri-county service delivery was included. Wherever an opportunity presents itself, the County may wish to continue to explore multi-County options in purchasing, contracting and service delivery. In addition, the State of Washington could authorize additional consolidation options for small population counties beyond those currently available through the Intergovernmental Cooperation Act or specific statute.

As a result of the management review, two specific candidates for consolidation are worth highlighting. One area that has been successful for some jurisdictions in western Washington is the cooperative provision of information technology (IT) services. Contracting and purchasing for larger quantities of IT services or products often produce large discounts and result in partners that can then share maintenance and support. Ferry has had a good experience with purchasing voting equipment and software with other northeastern counties. Other IT services that may lend themselves to joint provision are network maintenance and web page design and maintenance.

A second area that may be worth exploring is the consolidation of emergency services among the northeastern Washington counties. Statutes allow the County to provide for the coordination and planning of emergency disaster response in a number of ways and joint provision of these responsibilities has been implemented in several areas of the state. Currently the Ferry County Sheriff's Office has one full time employee dedicated to this function. Since many of the potential disaster types that may be experienced in northeastern Washington are similar (e.g. fire, flood, blizzards, earthquakes and hazardous materials spills) it may be possible to jointly plan, provide training and coordination.

Provide Customer Self Service On The Internet Or Phone System

In-person and phone customer service was frequently mentioned in the interviews as the most time consuming part of each County department's workload. Working with citizens on errors in submittals was also mentioned a number of times. Other jurisdictions have had significant success in producing printed, web based or phone based information to reduce staff time in dealing with frequently asked questions so that customers with more complex or unique issues get timely staff attention. This customer friendly material is broadly available so that many questions can be answered without talking directly to staff in person or on the phone. Phone menus and web pages can contain similar information that is easily accessible by a large number of people. Web services may be less effective in Ferry County where access to high speed Internet service is limited.

Self-service forms that may be downloaded from the Internet, e-mailed or faxed also assist County staff and customers to obtain and provide faster service. Many self-service forms can be designed to reduce the number or frequency of errors. High volume forms and submittals are good candidates for addressing in this fashion. High volume transactions in County government may include such things as renewals, job or volunteer applications, simple permits or jury information and records. Anywhere in County government where high volumes of paper and customer contact are involved may lend themselves to some modest form of automation. Any step beyond paper frequently saves staff and customer time; you do not have to have the latest slick on line program to be effective.

Operating Practices

This section of the report deals with operating issues or practices observed or explored during the course of the management study that do not lend themselves to direct financial savings or increase in revenues but, if addressed, may increase the efficiency and effectiveness of county service delivery.

Criminal Justice and Roads

Three specific operating practices were looked at in the Criminal Justice and Roads areas:

- Performance of the Criminal Justice system that includes the cooperative efforts of the Sheriff’s Office, the Prosecutor, the Public Defender and the Courts,
- Law Enforcement coverage, and
- Service Delivery Efficiencies with Other Agencies.

Criminal Justice

During the course of the interviews, a number of performance issues were raised regarding the criminal justice system. In order to evaluate these concerns performance of the criminal justice system was evaluated using data available from the courts (State Administrative Office of the Courts, 2004 Caseload). Superior Court cases were evaluated using state standards for the processing of felony and civil cases established by the Administrative Office of the Courts for each case type. Misdemeanor and infraction cases were evaluated using comparisons between the state average and Ferry County for selected indicators or measures. Tables below show the comparative data.

TABLE 16: Ferry County Felony and Civil Case Performance 2004

Superior Court Performance Measures	State Performance Standard	Ferry County	Small Population Counties	All Counties Average
Criminal Cases Resolved in 4 Months	90%	54%	71% or higher	71%
Civil Cases Resolved in 12 Months	90%	94%	85% or higher	89%
Domestic Cases Resolved in 10 Months	90%	46%	58% or higher	77%
Probate Cases Resolved in 8 Months	90%	93%	95% or higher	96%
Juvenile Offender Cases Resolved in 4 Months	90%	89%	40% or higher	88%
Ferry County Felony Sentences	NA	47%	38% or higher	73%

TABLE 17: Ferry County Misdemeanor and Infraction Case Performance, 2004

District Court Performance Measures	Ferry County	All Counties	Small Population Counties
Other Hearings Per Criminal Case			
DUI	11.8	5	
Other Traffic Misdemeanors	3.7	2.7	
Non-Traffic Misdemeanors	2.6	2.9	

Convictions - Percent of Cases Filed			
DUI	76.9%	81.9%	
Other Traffic Misdemeanors	42.6%	37.6%	
Non-Traffic Misdemeanors	59.3%	47.2%	
Misdemeanor Cases Set for Jury Trial	104.7%	43.4%	4% to 71%
Fine Collections Per Case Filed	\$138	\$117	

Ferry County performed comparatively well during 2004 in larger civil, juvenile offender and probate cases, meeting or exceeding the state standard and the performance level of all counties and small population counties. Ferry County's performance in the areas of felony and domestic cases fell significantly below state and comparative standards. In addition, the percentage of felony cases resulting in sentences in a twelve-month period fell below the state average. Three of the small population counties had a higher proportion of felony sentencing and three were equal to or lower than Ferry County. However, 96% of Ferry County felony cases were resolved in nine months or less.

In misdemeanor and infraction processing Ferry County collects a higher level of fines per case than the state average and is relatively efficient in the number of hearings per non-DUI traffic and non-traffic misdemeanor cases especially considering the relatively high conviction rates. Driving-While-Under-the-Influence cases involve significantly more hearings than the state average and result in fewer convictions.

The County has a practice of setting all misdemeanor cases for jury trial. This practice appears to have been long standing, going back at least as far as 1998. Between 2004 and 1998 misdemeanor conviction levels significantly varied so the setting of all or almost all cases for trial does not appear to significantly influence the outcome. Setting all cases for trial is a costly practice and the County should consider modifying this practice.

A multi-department criminal justice task force could be assigned to recommend changes in the County's practices in key areas that appear to have potential performance issues. These may include;

- Selectively setting misdemeanor cases for trial
- Reducing the number of hearings per DUI case
- Increasing the processing speed for felony and domestic cases

Law Enforcement Coverage

Most of the law enforcement agencies operating in Ferry County have limited resources to spread across a very large land area. The agencies operating in the county and their field enforcement staffing levels as gathered from the interviews are shown below:

TABLE 18: Law Enforcement Staffing

Agency	Full Time Field Law Enforcement Staffing
Ferry County Sheriff Department	6
City of Republic	2+
Colville Confederated Tribes Police Department	4
Washington State Patrol	1
Fish and Wildlife	1
Border Patrol	17
Forest Service	1

The Sheriff’s Department has enough staffing to have a minimum of one officer on each shift 24/7 when all officers are fit for duty and all positions are filled. The balance of the law enforcement agencies, with the exception of the Border Patrol, does not have enough staff for one officer per shift. Travel distances between calls in Ferry County can be extensive and backup is difficult. Many officers are subject to recall when off duty. Issues with officer safety and burnout were mentioned during a number of interviews.

Since there are a total of 14 law enforcement officers across all local, tribal and state agencies in the County it may be possible, with negotiations, to work out a formal agreement to provide back up, first response during short shift coverage and leave relief between agencies. The advantages of this agreement would be to reduce officer burn out, increase officer safety and overall law enforcement coverage in the County with the potential of assuring that at least two officers (from any agency) are on duty at any given time and from three to four officers are on duty during heavier workload shifts.

Service Delivery Efficiencies with Other Agencies

There are a number of informal and formal agreements among governmental agencies operating in Ferry County that assist each agency to be more effective or efficient in delivering their services. A number of agencies contract with the County Public Works Department for example, for snow removal in the winter. Another example is the formal and informal agreement between the Ferry County Sheriff, Okanogan County and the Tribal Police Department to provide first responder services to each other.

In addition to the law enforcement discussion above there are likely additional opportunities that agencies have for cooperation. These may include management of capital improvement projects, use and maintenance of large equipment especially vehicles, maintenance of public facilities including parks and buildings and road maintenance. Agencies with recognized expertise in specific areas can provide contract services for agencies that only require a service occasionally or at a few sites (e.g. capital improvement project management or trail maintenance).

A second approach involves trading off responsibilities to create efficiencies for both agencies. For example, road or right of way maintenance is performed by a number of agencies in the County each with their own crews, maintenance sites, equipment and

shops – County Public Works, City of Republic Public Works, PUD, Forest Service, DNR, DOT and the Tribes. Some of these sites are very close to each other (DOT, County, Forest Service and City in Republic or County and Tribes in Keller). In many cases, each agency skips over or passes through streets or roads that are the responsibility of another agency to perform road or right of way maintenance of one form or another. In this situation it may be possible to enter into working agreements among agencies to trade responsibilities for road segments that are more efficient for one agency to maintain than another. The ultimate example would be for all of the agencies to determine those areas of the County that can be more effectively maintained by one agency for all of the others – one maintenance crew and site that would maintain a defined geographic area to the standards of the agencies involved including State, Forest Service, County, City, Utilities and Tribes.

General Government

There are three operating practices in the general government area that were observed during the Management Study that could be addressed.

- Intergovernmental Communication
- County Administrative Capacity
- Planning and Building Workload

Intergovernmental Communication

Many of the issues that need to be addressed in Ferry County involve the support and participation of more than one governmental unit. Most communication between agencies appeared to occur informally or when a conflict arose. Establishing a regular pattern of meetings between governments' legislative or policy boards may help to foster new levels of cooperation within the community. Many jurisdictions have found that regular quarterly or annual meetings with the City Council, Tribal Council representatives for Ferry County and Presidents of the five school boards to cover general policy issues, cooperative service delivery and common goals such as economic development may be effective in fostering mutually supportive working relationships.

County Administrative Capacity

In a democracy there is a fundamental dependence on the balance of powers to run an effective government. This means that the executive, legislative and judicial branches each do a balanced job of playing their role in the governmental structure. In non-charter County governments where the executive and legislative branches are less distinct it is especially important to support and respect the roles of those County officials that are assigned part of the executive role in order to be effective. The executive role in most local governments includes officials who make recommendations or provide advice to the legislative branch on administrative and policy issues. These officials may include elected and appointed department directors; the County's legal advisor, chief financial officer and human resources advisor; and in some counties a chief administrative officer.

Ferry County has a limited number of officials to provide advice to the Board of Commissioners. Elected and appointed department directors are often working

supervisors; the County Prosecutor or his deputy does not attend Board meetings on a regular basis; and the County lacks access to professional expertise in administration, finance and human resources outside of an individual department's resources. The County has tried to cope with this situation by providing training to key individuals and department directors in specific areas and contracting for assistance in risk management and specialized litigation. The Board still lacks access to professional advice on a regular basis especially in the areas of general administration, human resources, finance and general legal counsel.

Given the limited resources within the County improving this situation would require assigning dual responsibilities to existing staff or department directors and sharing staff with other jurisdictions. In most situations dual assignments would have to come with additional specialized training in order to gain the professional expertise required. A third option is for the State to provide "circuit rider" type staff that can provide expertise to several jurisdictions.

Planning and Building Workload

Demands on planning and building staff time are high due to a combination of Growth Management Act compliance requirements; land use plan and development code appeals; development activity in the County and the County's size. The County has a total of two professional staff and a part time clerical assistant in the Planning and Building Department. In addition to regular planning and building duties the department has also been assigned periodic responsibilities for utility planning and capital projects.

Maps and automated geographic information resources are limited and inhibit efficient work. Projects, such as plan or code updates, are often interrupted by the need to process permits in a timely manner. Earlier in this report consultant assistance was recommended. In addition to consultant assistance, a focus on completing the automation of geographic information with mapping capability accessible by all County staff would increase efficiency. The County should consider re-assigning utility planning and capital projects to Public Works, where capital project expertise already exists or to the Public Utility District. The PUD is authorized by state law to provide water and sewer utility services.

Financial Management

In addition to administrative capacity and financial reporting needs, addressed elsewhere, the County has two additional operating issues in the financial management area that came up repeatedly in the interviews. The first is the capacity of the County's financial software and a second related issue regarding the distribution of workload among those responsible for the County's business functions (budget, audit, payroll, accounts payable and receivable, accounting, financial reporting, etc.).

Financial Software

The County purchased a financial software package (ASP) that is used for the majority of its business functions. The software does not have features which allow the Public Works and Community Services Departments, the County's two largest departments, to

complete the cost accounting that is necessary to comply with statutory, contract and grant requirements. Although the features are apparently available, they are seen as complex, costly and cumbersome. As an alternative, Public Works and Community Services have adapted the County's former DOS based custom built financial software operating in part on a different network operating system (Novell) than the rest of the County (Microsoft) to meet their cost accounting needs. In effect, the County is very dependent on the skills of individuals in both departments to keep their cost accounting software running as a custom program since the original programmer no longer works for the County. In addition at some point the County's software operating systems may no longer accommodate the older DOS based programming or the Novell operating system.

Due to this situation and other factors there are several segments of the County's financial data, which must be entered by hand more than one time into automated systems, contributing to workload. Most of those interviewed would like to have a financial system that includes a simple cost accounting feature for government that would allow all departments to submit vouchers and payroll to the Auditor's office electronically. The Auditor's office would then audit the submittals for errors and submit the approved data for processing. Electronic financial reporting would additionally aid to reduce paper use Countywide.

There are two employees, in addition to the Auditor in the Auditor's Office, who perform the primary financial functions for the County.; Public Works has three employees and Community Services has two employees. Individuals in various other departments of the County also interact with the County's business systems as a smaller part of their jobs.

In order to improve efficiency in its business functions the County needs to replace its financial system with a system that is compatible with the County's existing network, meets the needs of the County's departments and allows for single data entry available to all appropriate employees with adequate internal controls and audit features.

Performance Measurement Tools

Judgment is involved in the management of an organization as diverse as County government. In order to make informed judgments the County Commission needs information. Many local legislative bodies rely on other County elected officials and staff to provide advice and assemble and present information on the issues before them. This information often comes from the elected official's or staff member's professional expertise, experience or data that is gathered about the issue at hand. For example, many legislative bodies have an attorney, human resources professional, chief financial officer and in some jurisdictions, a chief operating or administrative officer who can provide information and recommendations that balance and identify competing interests and risks across the entire organization.

Another method of gaining information is to periodically evaluate the effectiveness of the operations in County government in order to gain insight about how operations can be improved to be either more efficient or more effective at attaining their mission. This can

be accomplished in a number of ways. Following is a list of some of the more frequently used tools:

Outside Evaluations

Some jurisdictions rely on outside evaluations such as the State Auditor's Financial Audit or periodic performance audits of components of the government's service delivery system. A number of local government's routinely fund performance audit per year by an outside organization. These audits usually focus on one service or service delivery system in the government at a time. Recommendations for improvements are made and performance is measured against identified standards.

Performance Indicators

Both public and private corporations use "Report cards" that select key indicators of an organization's performance to report on over time. The report card provides benchmarks of relative success and can be used to guide decisions related to resource allocation or improvements in operating effectiveness. The report card usually selects one key indicator from each of the most important dimensions of the organization's operations.

For a private company some of the performance indicators that are selected include: employee retention rates, profitability, sales volume, operating margin, market share, and a measure of adaptability to changes in competitive conditions. For a public organization indicators are not often as straightforward.

A report card for a County might include indicators selected for each major service system; an indicator related to employees, such as retention rates; an indicator of financial health, such as operating margin or cost of government per capita and finally some indicator of customer or citizen satisfaction, such as volunteer participation rates or voter turn out. Frequently the most difficult indicators to define are the indicators for the County's major service systems---law and justice; transportation; health and human services; economic development; civic engagement and environmental stewardship. In an effort to define indicators for each system, there is a tendency to select too many which defeats the purpose of the "report card" format. Often selected indicators include such things as shown in Table 19.

TABLE 19: Examples of Report Card Indicators for Ferry County Major Service Systems

Major County Service System	Example Indicator	Benchmark
Law and Justice	Part One Crimes Per 1,000 population	National, Statewide or Regional
Transportation	% of County Road System Needing Major Repair	County performance over time
Health and Human Services	Index of Community Health Related to Children	County performance over time
Economic Development	Unemployment Rate	National, Statewide or Regional
Civic Engagement	Participation rates in boards, commissions or other volunteer opportunities in local government	County performance over time
Environmental Stewardship	Water Quality	National, Statewide or Regional and County performance over time

The key is to pick a few indicators that are from readily available data reported frequently enough to have meaning. For example, the road condition report of the County is readily available from County records and is measured by a set of statewide standards (see Table 6 on Page 38). Part One crimes and Unemployment are reported routinely and follow national or state reporting standards. Water quality and community health indices have national measurement models and reporting standards and can be counted or measured locally. While not readily apparent, the example indicators can be affected by County government decisions, not controlled, but affected and they are comparable to other communities. So if the national ratio of Part One Crimes per 1,000 population is 7.5 and Ferry County is 5.2 this is an indicator that Ferry County is relatively “safer” than the average community in America.

Indicators may also be measured or “benchmarked” against multi-year County performance. An example here is the Ferry County score on the community index of community health for children. There are several national models of scoring systems that can be used to measure a community’s effectiveness in providing a healthy environment for children. The County may wish to take actions that improve its score over a two-year period using its own score as a “benchmark” to measure improvement against.

Another method used by local government to monitor performance is to provide a mission statement and a set of data on workload and results of service delivery as a part of the proposed budget document that is presented to the County Commission each year. Over time a multi-year set of data is available. Each Department would select a limited number (three is often a good maximum) of measures of workload or results of service delivery that are included as part of the budget submittal. The Commissioners may request one or more standard measures (such as dollars per unit of service) be provided. The County can select a standardized format for presentation of the mission statement and the data, which is sent out with the annual budget instructions. The mission statement

and performance indicators presented can be published as part of the public budget document.

Some local governments establish organization wide performance monitoring programs that are stand alone processes for reporting and measuring service performance at the work unit, work team and individual employee level. These efforts generally require a great deal of long-term organizational commitment and energy to sustain. Performance measures are selected for each work unit, work team or individual. Measurement systems are put into place, reported and monitored. These systems may or may not complement existing budget or employee performance review processes. Some systems are driven by financial considerations and are often measured on a dollar per unit of service basis. Some systems have several dimensions – a financial dimension, a work output dimension (e.g. number of properties assessed per unit of time), and a service quality dimension (e.g. percent of errors, number of actions by the customer required to complete the service or cycle time to complete the service).

Stand alone performance monitoring systems may be used alone or integrated into a program such as Total Quality Management that use a systematic and measured approach for targeting parts of the service system that need improvement and making the improvements. These systems work best in a mature organization that wants to make incremental quality improvements to established service delivery systems through employee initiative guided by a professional. They do not work well in organizations that have new service delivery systems or organizations seeking strategic or major change.

Finally, many local governments now require performance reporting as part of service or grant contracts with outside parties as a way of assuring that funds are being used effectively. Similar to the measures described above, reporting requirements may include simple workload or output data (e.g. number of clients served, number of cases processed by type, etc) or involve reporting based on several dimensions. For example: a financial dimension (dollars per unit of service), a work output dimension (e.g. number of properties assessed per unit of time), and a service quality dimension (e.g. percent of errors, number of actions by the customer required to complete the service or cycle time to complete the service). Care should be taken to limit reporting in order not to dedicate too much time or funding to the reporting systems instead of service delivery. Piggybacking on other entities reporting requirements, especially in the case of grant funding, is one way to assure that local service providers are not maintaining individual reporting systems for each of several funding sources.

Ferry County Performance Measures

There are a number of standard reports and sources of data that can be used to compare Ferry County's performance to that of others or monitor self-improvement over time. Many of these data sources have been used to prepare the information contained in this Management Report. Below is a partial list:

- Salary and Benefit Annual Survey (Association of Washington Cities and Washington State Association of Counties)

- Diverted Road Tax Compared to Other Counties (Washington Association of County Officials)
- Road Condition Annual Report (Submitted to County Road Administration Board)
- Crime and Unemployment Statistics (Washington State Office of Financial Management County and City Information, <http://www.ofm.wa.gov/localdata/ferr.htm>)
- Court, Juvenile Probation and County Clerk Staff and Workload (Administrative Office of the Courts Caseload and Staffing annual reports, <http://www.courts.wa.gov/caseload/>)
- Prosecutor and Public Defense case management and workload (Administrative Office of the Courts Caseload and Staffing annual reports, <http://www.courts.wa.gov/caseload/>)
- Local Government Finance, annual revenue and expenditures (State Auditors Office, Local Government Financial Reporting System, <http://lgfrs.sao.wa.gov/lgfrs/>) and State Department of Revenue annual tax data (<http://dor.wa.gov/content/statistics/>)
- Comparison of County Assessor Statistics, annual report (State Department of Revenue, <http://dor.wa.gov/content/statistics/>)

Expanding the Use of Automation

The County has at least twelve key automated systems that assist County employees in performing their work. These systems include: state maintained systems such as the Judicial Information System and the Vehicle Licensing system; packaged software such as the ASP financial system, Terra Scan tax system, the County voting system and Microsoft Office; records management systems such as Liberty Information System in the Clerks Office and the records preservation software recently acquired by the County; Arch View mapping and geographic information software; data services available on the Web for legal research; and telecommunications software such as the County Dispatch system. In addition the County uses communication technology including an external web site, telephone system and video communication technology in the Courthouse.

The County could make more effective use of the technology it currently has in the following potential ways:

- 1) Many County employees are not trained in the use of the basic software available to all employees, particularly Microsoft Office tools and use of the Web. Software use certification or training for all employees (including Department Heads) and identification of employee resources such as existing “power users” for each software tool (e.g. Excel) would assist the County to more effectively use existing technology.
- 2) Establishing a single operating system standard for the County (e.g. Microsoft rather than Microsoft and Novell) would simplify the maintenance of the County’s computer network allowing the County’s limited technology staff to use their skills in ways that are more directly related to leveraging the use of technology for service delivery.

- 3) Expand key software application use and training to a greater number of employees across departments. For example, Arch View geographic information and mapping software, records management software and the Judicial Information System have features and tools that can be used by a variety of employees to be more efficient and effective at their jobs. These applications can be more widely available in a variety of ways.
- 4) Establish a Ferry County internal Internet site available only to County employees (Intranet) that would allow information, policies, forms, records and software applications to be accessed and shared efficiently from employee's desktops. Intranet sites can be powerful tools to improve employee use of automation.
- 5) Add features to the County phone system that would provide callers with menu based phone assistance and automated answers to frequently asked questions.
- 6) Add features to the County website that would provide for e-mail service requests and responses, download of frequently used forms and answers to frequently asked questions.

State of Washington

Over the course of the the Management Study actions were identified that the State of Washington could take to further the efficiency of county service provision or increase the likelihood of success of local efforts to improve their fiscal condition. The actions identified were:

- Include remarks in all State Audit reports of small population counties about their fiscal condition as an aid to the County in managing their finances. Remarks should, at a minimum, include comments about whether expenditures exceed annual revenue collections in major funds; the adoption and adherence to policies on major fund beginning fund balances; and the state of operating margins.
- Increase State investment in small population counties' technology and key infrastructure (including roads, recreational facilities and buildings) in order to improve service efficiency and provide a solid base for economic development.
- Provide an evaluation of opportunities and develop models for small population counties to facilitate local alignment of Growth Management Plans and economic development goals. Growth Management Plans and development regulations should assure that adequate land is available and permitting is streamlined in targeted areas that facilitate key economic development initiatives. Appropriate alignment would maximize small population counties' ability to compete for and successfully execute economic development initiatives where development or land use is a factor.
- The state should consider contracting with a limited number of "circuit rider" experts in local government finance, administration, human resource management, land use and environmental regulation to assist the smallest counties on a regular basis. This could help improve financial planning, expand management capacity, and improve the integration of economic development with land use and environmental regulation.

- Consolidate the dozens of State grant and service contracts with each small population county into single agency umbrella contracts with addenda encompassing any special conditions. The purpose of the umbrella contracts would be to decrease local administrative overhead and increase contract compliance.

APPENDIX I
Summary of Resources and Uses Report
Ferry County General or Current Expense Fund

Resources	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General Property Taxes and Diverted Road Prop Tax 311	956,434	866,826	920,868	966,595	931,421	1,081,025	1,087,504	1,109,945	1,122,235	1,019,902	1,301,579
Sales & Use Taxes - Local and CJ 313	329,683	201,976	302,017	378,311	363,097	287,723	269,513	313,117	278,997	221,365	273,381
Other Local Taxes 317, 312	129,191	105,777	71,303	61,410	37,175	49,586	56,200	39,506	36,328	41,141	49,350
Licenses & Permits 321,322	32,390	24,316	23,390	18,647	18,129	23,579	26,863	27,767	28,647	23,680	43,220
Charges & Fees for Services 341,342,345, 349	94,190	79,973	84,685	94,893	104,918	95,517	104,920	101,027	109,359	94,983	103,896
Interest & Investment Earnings 361	122,181	186,997	156,428	162,385	155,430	136,623	195,937	165,803	82,788	49,009	39,632
Fines & Forfeits 350's, 319	129,604	106,625	124,667	139,453	144,376	147,048	148,735	156,570	155,425	151,631	130,639
Rents, InsPrem, Internal, Contrib, Misc362, 368, 369, 395	43,642	5,024	14,277	8,735	26,818	47,708	31,835	29,682	4,327	43,315	1,839
Intergovernmental Revenues 330's and PUD excise	626,039	1,011,238	1,113,521	1,081,724	883,455	1,104,193	1,567,683	1,592,705	1,197,457	1,134,984	1,018,848
Total Revenues	2,463,354	2,588,752	2,811,156	2,912,153	2,664,819	2,973,002	3,489,190	3,536,122	3,015,563	2,780,010	2,962,384
Operating Transfers-In	-	-	-	-	-	-	-	-	-	-	69,468
Total Resources	2,463,354	2,588,752	2,811,156	2,912,153	2,664,819	2,973,002	3,489,190	3,536,122	3,015,563	2,780,010	3,031,852
Beginning Fund Balance	330,929	362,801	241,206	157,517	134,950	17,275	589,213	1,087,750	1,515,317	1,239,022	764,579
Expenditures											
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Law & Justice Services 512,515,521,523,527,563	1,353,000	1,483,880	1,515,008	1,530,588	1,475,531	1,368,387	1,466,095	1,456,838	1,421,166	1,556,730	1,739,373
Fire & Emergency Services 522, 525, 528	21,911	14,000	16,099	9,859	29,432	15,045	14,998	15,969	15,135	18,460	49,450
Health & Human Services 553,555,562,564,566,568,552	103,027	109,747	98,836	93,034	85,913	85,194	68,835	78,335	80,289	78,939	68,457
Natural Resources 531,557,558,559, 571, 573, 574	150,792	151,777	171,207	199,350	187,667	176,776	257,157	427,192	258,886	467,425	192,358
General Government 511,513,514,518,519	727,412	783,993	770,554	784,564	769,027	698,198	759,673	824,029	812,331	769,814	827,720
Capital											
595,596,58,594,596,73,596,21,596,12,596,23,596,52,596,11,596,14,596,18,596,25,596,28	20,174	84,917	62,722	41,097	21,907	61,858	33,178	69,750	41,103	267,891	17,621
Debt Service-Interest,592	4,630	15,208	4,510	16,954	14,928	13,508	10,073	8,686	17,994	13,085	4,706
Debt Service-Principal,582,591	22,547	13,676	8,200	110,883	60,002	80,148	22,128	71,931	62,339	63,617	57,456
Total Expenditures	2,403,493	2,657,198	2,647,136	2,786,329	2,644,407	2,499,114	2,632,137	2,952,730	2,709,243	3,235,961	2,957,141
Operating Transfers-Out 597	38,155	60,767	237,784	150,282	145,137	91,007	333,526	156,597	582,785	293,589	247,899
Total Uses	2,441,648	2,717,965	2,884,920	2,936,611	2,789,544	2,590,121	2,965,663	3,109,327	3,292,028	3,529,550	3,205,040
This report is not intended to be a financial statement and does not include Non-Revenues/Expenditures or Other Financing Sources/Uses. WARNING! Data in the General Fund may be incomplete because entities may vary in which fund types they use for government operations. To get a complete picture, select either general fund and special revenue funds combined or all fund types											
SAO, LGFRS, 7/6/2005	232194.083		220367.25		208259.5						
Operating Results Including Transfers to Other Funds											
Annual Operating Revenue	2,463,354	2,588,752	2,811,156	2,912,153	2,664,819	2,973,002	3,489,190	3,536,122	3,015,563	2,780,010	3,031,852
Annual Operating Expenses	2,441,648	2,717,965	2,884,920	2,936,611	2,789,544	2,590,121	2,965,663	3,109,327	3,292,028	3,529,550	3,205,040
Annual Operating Gain (Loss)	21,706	(129,213)	(73,764)	(24,458)	(124,725)	382,881	523,527	426,795	(276,465)	(749,540)	(173,188)
Operating Results Excluding Transfers											
Annual Operating Revenue	2463354	2588752	2811156	2912153	2664819	2973002	3489190	3536122	3015563	2780010	2962384
Annual Operating Expenses	2403493	2657198	2647136	2786329	2644407	2499114	2632137	2952730	2709243	3235961	2957141
Annual Operating Gain (Loss)	59,861	(68,446)	164,020	125,824	20,412	473,888	857,053	583,392	306,320	(455,951)	5,243

APPENDIX II
Summary of Resources and Uses Report
Ferry County Special Revenue Funds

Resources	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General Property Taxes 311	185,025	221,418	227,052	253,928	207,621	128,910	150,668	175,135	218,508	389,079	203,209
Other Local Taxes 317,312	79,180	79,157	62,923	61,911	50,225	117,768	118,946	119,160	114,796	134,776	118,442
Charges & Fees for Services 340's	78,290	91,482	70,969	77,478	65,546	138,888	124,304	107,786	147,593	189,669	172,359
Interest & Investment Earnings 361	1,720	2,355	5,604	11,845	22,571	27,664	28,153	17,152	8,792	6,572	7,439
Fines & Forfeits 350's	11,570	2,924	230	5,053	3,993	1,881	1,532	1,149	1,413	282	808
Rents, InsPrem, Internal, Contrib, Misc	74,010	55,025	63,539	94,948	76,237	156,267	92,421	152,658	65,098	134,708	158,098
Intergovernmental Revenues 330's	2,561,631	5,312,864	3,473,440	4,036,625	5,185,998	4,755,428	4,607,739	4,558,594	4,551,104	3,993,923	4,389,713
Debt Proceeds	294,054	--	--	--	--	--	--	--	--	--	--
Total Revenues	3,285,480	5,765,225	3,903,757	4,541,788	5,612,191	5,326,806	5,123,763	5,131,634	5,107,304	4,849,009	5,050,068
Operating Transfers-In	--	30,185	116,684	--	--	351,112	--	1,290,791	105,804	380,180	119,644
Total Resources	3,285,480	5,795,410	4,020,441	4,541,788	5,612,191	5,677,918	5,123,763	6,422,425	5,213,108	5,229,189	5,169,712
Beginning Fund Balance 308	1,373,223	998,347	790,460	526,660	601,756	1,101,520	1,043,063	1,139,963	1,804,722	2,187,607	2,337,374

Expenditures	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Law & Justice Services 512,515,521,523,527,563	79,209	48,038	14,287	13,097	15,803	21,354	13,180	35,672	24,466	75,118	57,518
Fire & Emergency Services 522, 525, 528	80,215	323,943	218,332	297,108	302,514	279,209	276,246	282,154	290,033	397,951	459,316
Health & Human Services 553,555,562,564,566,568,552	442,207	482,028	351,412	310,396	262,558	304,680	259,777	285,984	218,826	236,412	382,020
Transportation 542,543,545,546,547	1,858,968	1,845,491	1,771,094	2,025,267	2,280,265	2,265,472	2,266,871	1,936,156	2,081,819	2,107,474	2,906,538
Natural Resources 531,557,558,559, 571, 573, 574	399,502	349,465	403,211	436,465	419,298	509,199	543,738	555,650	709,553	824,939	696,711
General Government 511,513,514,518,519	68,645	23,470	-41,923	105,314	80,662	84,743	69,653	545,224	98,795	79,868	83,210
Utilities	--	--	--	--	--	--	2,783	--	--	--	--
Capital											
595,596.58,594,596.73,596.21,596.12,596.23,596.52,596.11,											
596.14,596.18,596.25,596.28	291,681	2,928,558	1,584,603	852,662	1,506,251	2,258,263	1,722,435	2,183,187	1,402,515	1,118,404	498,259
Debt Service-Interest,592	110	110	--	--	--	--	--	--	--	--	--
Debt Service-Principal,582,591	1,475	1,475	1,585	1,585	39,086	--	3,171	1,586	1,586	1,586	1,586
Total Expenditures	3,222,012	6,002,578	4,302,601	4,041,894	4,906,437	5,722,920	5,157,854	5,825,613	4,827,593	4,841,752	5,085,158
Operating Transfers-Out 597	186,051	0	0	148,943	458,396	0	66,720	0	0	0	138,599
Total Uses	3,408,063	6,002,578	4,302,601	4,190,837	5,364,833	5,722,920	5,224,574	5,825,613	4,827,593	4,841,752	5,223,757

This report is not intended to be a financial statement and does not include Non-Revenues/Expenditures or Other Financing Sources/Uses. Printed Date: 7/6/05

Annual Operating Results Includes Transfers to other funds											
Annual Operating Revenue	3,285,480	5,795,410	4,020,441	4,541,788	5,612,191	5,677,918	5,123,763	6,422,425	5,213,108	5,229,189	5,169,712
Annual Operating Expenditures	3,408,063	6,002,578	4,302,601	4,190,837	5,364,833	5,722,920	5,224,574	5,825,613	4,827,593	4,841,752	5,223,757
Annual Operating Gain (Loss)	(122,583)	(207,168)	(282,160)	350,951	247,358	(45,002)	(100,811)	596,812	385,515	387,437	(54,045)

Annual Operating Results Excludes Transfers to other funds											
Annual Operating Revenue	3,285,480	5,765,225	3,903,757	4,541,788	5,612,191	5,326,806	5,123,763	5,131,634	5,107,304	4,849,009	5,050,068
Annual Operating Expenditures	3,222,012	6,002,578	4,302,601	4,041,894	4,906,437	5,722,920	5,157,854	5,825,613	4,827,593	4,841,752	5,085,158
Annual Operating Gain (Loss)	63,468	(237,353)	(398,844)	499,894	705,754	(396,114)	(34,091)	(693,979)	279,711	7,257	(35,090)

APPENDIX III Summary of Resources and Uses Report

Total Resources & Uses Ferry County Debt Service and Capital Funds

Resources	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General Property Taxes	42,868	38,204	40,308	40,814	41,069	35,667	39,205	40,807	2,806	1,233	685
Sales & Use Taxes (Distressed County)	--	--	--	--	4,625	19,868	27,009	31,474	29,029	26,542	33,567
Other Local Taxes (REET)	53,563	55,557	43,863	28,477	38,192	34,652	33,401	34,674	29,228	41,591	129,770
Interest & Investment Earnings	3,939	10,583	9,482	5,051	8,711	40,848	26,192	136	8	4	11
Fines & Forfeits	130	48	154	102	199	28	93	301	--	2	0
Rents, InsPrem, Internal, Contrib, Misc	3,759	2,437	5,258	4,753	2,727	2,392	912	--	350	--	--
Intergovernmental Revenues	--	--	--	--	1,000,000	7,203	12,927	17,738	38,619	31,204	89,573
Total Revenues	104,259	106,829	99,065	79,197	1,095,523	140,658	139,739	125,130	100,040	100,576	253,606
Operating Transfers-In	11,346	10,630	10,003	0	3,915	2,614	0	0	0	0	0
Total Resources	115,605	117,459	109,068	79,197	1,099,438	143,272	139,739	125,130	100,040	100,576	253,606
Beginning Fund Balance	147,684	206,084	200,676	258,613	280,146	1,314,006	1,382,151	359,167	295,042	274,112	99,107
Expenditures											
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Law & Justice Services	--	--	--	118	--	--	--	--	--	--	--
Natural Resources	--	--	--	--	--	2,323	24,832	13,540	37,365	17,432	--
General Government	--	--	--	--	--	--	2,777	3,250	472	--	11429
Capital	--	11,597	1,018	7,534	46,817	35,000	52,759	67,843	82,864	33,552	179,218
Debt Service-Interest	19,223	16,938	14,446	12,000	10,065	7,666	5,493	2,964	--	--	--
Debt Service-Principal	45,125	45,134	45,000	35,000	40,000	35,000	40,000	45,000	--	--	--
Total Expenditures	64,348	73,669	60,464	54,652	96,882	79,989	125,861	132,597	120,701	50,984	190,647
Operating Transfers-Out	0	0	0	12,345	0	0	74,176	56,658	269	224,595	0
Total Uses	64,348	73,669	60,464	66,997	96,882	79,989	200,037	189,255	120,970	275,579	190,647
This report is not intended to be a financial statement and does not include Non-Revenues/Expenditure or Other Financing Sources/Uses. Printed Date: 7/6/05											
Annual Gain (Loss) with transfers											
Annual Capital Revenue	115,605	117,459	109,068	79,197	1,099,438	143,272	139,739	125,130	100,040	100,576	253,606
Annual Capital Expenditures	64,348	73,669	60,464	66,997	96,882	79,989	200,037	189,255	120,970	275,579	190,647
Annual Capital Gain (Loss)	51,257	43,790	48,604	12,200	1,002,556	63,283	(60,298)	(64,125)	(20,930)	(175,003)	62,959

APPENDIX IV

Summary of Resources and Uses Report Ferry County Enterprise Funds (Solid Waste)

Resources	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Charges & Fees for Services	139,961	216,530	223,495	229,476	208,328	228,271	222,557	247,334	246,685	246,819	252,476
Interest & Investment Earnings	294	--	103	--	--	--	--	--	--	--	--
Rents, InsPrem, Internal, Contrib, Misc	1,884	994	17,198	9,183	27,612	119	618	229	521	2,650	4,271
Intergovernmental Revenues	196,363	430,050	116,690	64,296	43,328	34,230	20,263	19,193	27,509	31,722	55,610
Total Revenues	338,502	647,574	357,486	302,955	279,268	262,620	243,438	266,756	274,715	281,191	312,357
Operating Transfers-In	210,000	20,000	13,940	10,000	1,108	126	205,392	5,717	48,780	57	0
Total Resources	548,502	667,574	371,426	312,955	280,376	262,746	448,830	272,473	323,495	281,248	312,357
Beginning Fund Balance	27,143	(78,658)	12,725	(5,705)	22,725	(3,186)	17,952	18,133	46,583	76,807	54,661
Expenditures											
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General Government	9,180	--	--	--	--	--	--	--	--	--	--
Utilities	607,331	588,022	237,087	252,348	255,916	218,380	240,175	242,590	234,572	277,778	311,918
Capital	17,948	16,634	117,317	--	443	1,809	3,216	2,055	1,921	25,617	10,292
Debt Service-Interest	6,197	14,224	16,287	15,167	13,205	11,403	4,995	--	--	--	--
Debt Service-Principal	22,827	3,967	4,483	2,203	--	--	--	--	56,778	--	--
Total Expenditures	663,483	622,847	375,174	269,718	269,564	231,592	248,386	244,645	293,271	303,395	322,210
Operating Transfers-Out	0	0	0	0	0	0	0	0	0	0	0
Total Uses	663,483	622,847	375,174	269,718	269,564	231,592	248,386	244,645	293,271	303,395	322,210
This report is not intended to be a financial statement and does not include Non-Revenues/Expenditures or Other Financing Sources/Uses. Printed Date: 7/6/01											
Annual Operating Gain (Loss) without transfers											
Annual Operating Revenue	338,502	647,574	357,486	302,955	279,268	262,620	243,438	266,756	274,715	281,191	312,357
Annual Operating Expenditures	663,483	622,847	375,174	269,718	269,564	231,592	248,386	244,645	293,271	303,395	322,210
Annual Operating Gain (Loss)	(324,981)	24,727	(17,688)	33,237	9,704	31,028	(4,948)	22,111	(18,556)	(22,204)	(9,853)

APPENDIX V

FERRY COUNTY CASH FLOW TRACKING MODEL
CURRENT EXPENSE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>TOTAL</u>
Beginning Cash and Investments	575,896	446,356	394,274	393,389	721,455	786,972	1,105,129	-	-	-	-	-	4,423,471
Revenues													
310 Taxes	37,855	81,711	93,850	240,776	155,750	29,993	-	-	-	-	-	-	639,935
320 Licenses	882	1,240	4,318	5,478	5,208	4,843	-	-	-	-	-	-	21,969
330 Intergovernmental	48,469	42,085	53,970	105,330	30,321	457,712	-	-	-	-	-	-	737,887
340 Charges for Services	9,969	6,539	7,980	8,937	7,218	8,831	-	-	-	-	-	-	49,474
350 Fines and Forfeitures	1,953	2,455	2,797	3,886	5,253	3,707	-	-	-	-	-	-	20,051
360 Miscellaneous	5,920	6,923	6,036	7,629	8,827	10,900	-	-	-	-	-	-	46,235
390 Other Financing Sources	4,227	51,983	73,085	247,986	136,540	63,337	-	-	-	-	-	-	577,158
Current Resources	109,275	192,936	242,036	620,022	349,117	579,323	-	-	-	-	-	-	2,092,709
Total Resources	685,171	639,292	636,310	1,013,411	1,070,572	1,366,295	1,105,129	-	-	-	-	-	6,516,180
Operating Expenditures													
510 - 570 General Government	213,590	240,836	235,631	289,146	261,074	258,162	-	-	-	-	-	-	1,498,439
Total Operating Expenditures	213,590	240,836	235,631	289,146	261,074	258,162	-	-	-	-	-	-	1,498,439
591-93 Debt Service	-	-	-	-	-	-	-	-	-	-	-	-	-
594-96 Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	213,590	240,836	235,631	289,146	261,074	258,162	-	-	-	-	-	-	1,498,439
597 Other Financing Uses	25,225	4,182	7,290	2,810	22,526	3,004	-	-	-	-	-	-	65,037
Total Uses	238,815	245,018	242,921	291,956	283,600	261,166	-	-	-	-	-	-	1,563,476
One Time Grant Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Net Cash and Investments	446,356	394,274	393,389	721,455	786,972	1,105,129	-	-	-	-	-	-	3,847,575

APPENDIX V

FERRY COUNTY CASH FLOW TRACKING MODEL
CURRENT EXPENSE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>TOTAL</u>
Beginning Cash and Investments	(160,142)	(4,168,755)	(4,426,371)	(4,619,812)	(4,423,892)	(4,490,430)	(4,770,526)	-	-	-	-	-	(27,059,927)
Revenues	(263,632)												
310 Taxes	(315,377)	10,784	18,858	77,787	39,094	33,923	-	-	-	-	-	-	(134,930)
320 Licenses	(367,122)	6,589	14,928	75,090	36,399	21,714	-	-	-	-	-	-	(212,401)
330 Intergovernmental	(418,866)	2,395	10,998	72,393	33,704	9,505	-	-	-	-	-	-	(289,871)
340 Charges for Services	(470,611)	(1,800)	7,069	69,697	31,009	(2,704)	-	-	-	-	-	-	(367,341)
350 Fines and Forfeitures	(522,356)	(5,994)	3,139	67,000	28,314	(14,914)	-	-	-	-	-	-	(444,812)
360 Miscellaneous	(574,101)	(10,189)	(791)	64,303	25,619	(27,123)	-	-	-	-	-	-	(522,282)
390 Other Financing Sources	(625,846)	(14,383)	(4,721)	61,606	22,924	(39,332)	-	-	-	-	-	-	(599,752)
Current Resources	(3,294,279)	(12,598)	49,480	487,876	217,062	(18,930)	-	-	-	-	-	-	(2,571,390)
Total Resources	(3,929,940)	(4,181,353)	(4,376,891)	(4,131,936)	(4,206,830)	(4,509,360)	(4,770,526)	-	-	-	-	-	(29,631,317)
Operating Expenditures													
511 - 570 General Government	213,590	240,836	235,631	289,146	261,074	258,162	-	-	-	-	-	-	1,498,439
Total Operating Expenditures	213,590	240,836	235,631	289,146	261,074	258,162	-	-	-	-	-	-	1,498,439
591-94 Debt Service	-	-	-	-	-	-	-	-	-	-	-	-	-
594-97 Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	213,590	240,836	235,631	289,146	261,074	258,162	-	-	-	-	-	-	1,498,439
598 Other Financing Uses	25,225	4,182	7,290	2,810	22,526	3,004	-	-	-	-	-	-	65,037
Total Uses	238,815	245,018	242,921	291,956	283,600	261,166	-	-	-	-	-	-	1,563,476
One Time Grant Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Net Cash and Investments	(4,168,755)	(4,426,371)	(4,619,812)	(4,423,892)	(4,490,430)	(4,770,526)	-	-	-	-	-	-	(26,899,785)

APPENDIX V

FERRY COUNTY CASH FLOW TRACKING MODEL
CURRENT EXPENSE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2004

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
Beginning Cash and Investments	751,000	585,859	516,930	467,718	750,210	727,127	891,316	953,300	836,821	638,722	762,856	750,172	751,000
Revenues													
310 Taxes	27,913	71,921	85,796	233,629	125,964	38,837	33,530	60,742	54,654	168,128	131,417	44,484	1,077,015
320 Licenses	1,853	3,852	4,498	3,547	6,092	6,235	3,388	4,129	3,519	3,430	1,685	991	43,219
330 Intergovernmental	52,516	35,759	21,744	71,932	19,306	301,134	289,644	15,427	45,242	57,033	33,941	30,011	973,689
340 Charges for Services	10,087	5,905	6,571	9,372	7,721	6,572	9,047	9,525	9,743	7,691	8,096	10,094	100,424
350 Fines and Forfeitures	1,672	3,173	3,784	3,107	3,046	2,939	3,673	2,425	1,939	3,353	2,478	4,407	35,996
360 Miscellaneous	3,459	3,128	2,436	2,516	3,255	3,660	2,968	3,847	3,503	3,759	3,922	4,655	41,108
390 Other Financing Sources	9,530	47,789	51,418	221,037	79,473	65,966	9,825	31,460	34,651	131,036	76,071	13,001	771,257
Current Resources	107,030	171,527	176,247	545,140	244,857	425,343	352,075	127,555	153,251	374,430	257,610	107,643	3,042,708
Total Resources	858,030	757,386	693,177	1,012,858	995,067	1,152,470	1,243,391	1,080,855	990,072	1,013,152	1,020,466	857,815	3,793,708
Operating Expenditures													
510 - 570 General Government	271,402	231,682	210,849	249,689	254,865	244,252	285,037	214,348	243,525	241,814	244,753	270,615	2,962,831
Total Operating Expenditures	271,402	231,682	210,849	249,689	254,865	244,252	285,037	214,348	243,525	241,814	244,753	270,615	2,962,831
591-93 Debt Service	-	-	-	-	-	-	-	-	-	-	-	-	-
594-96 Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	271,402	231,682	210,849	249,689	254,865	244,252	285,037	214,348	243,525	241,814	244,753	270,615	2,962,831
597 Other Financing Uses	769	8,774	14,610	12,959	13,075	16,902	5,054	29,686	10,7825	8,482	25,541	11,304	254,981
Total Uses	272,171	240,456	225,459	262,648	267,940	261,154	290,091	244,034	351,350	250,296	270,294	281,919	3,217,812
One Time Grant Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Net Cash and Investments	585,859	516,930	467,718	750,210	727,127	891,316	953,300	836,821	638,722	762,856	750,172	575,896	575,896

Notes:

390 Primarily Diverted Road Tax
330 Intergovernmental -- Payments in Lieu of PT (\$209K); I695 Replacement Funding (\$226K); MV Fees (\$60K)
597 Other Financing Uses -- Capital Outlay, Debt Service and Transfer to other funds

APPENDIX V

FERRY COUNTY CASH FLOW TRACKING MODEL
CURRENT EXPENSE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2004

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
Beginning Cash and Investments	1,231,088	977,079	862,227	731,445	926,568	909,093	991,098	1,129,023	1,042,813	828,377	890,100	887,417	4,485,357
Revenues													
310 Taxes	2,795	3,845	34,464	238,038	149,986	26,151	39,023	48,836	59,135	183,153	109,233	38,953	933,612
320 Licenses	-	-	1,843	3,331	4,944	2,242	1,864	3,112	1,413	1,171	1,004	905	21,829
330 Intergovernmental	-	-	41,388	64,103	29,398	258,161	404,395	118,521	97,522	58,694	32,369	64,990	1,169,541
340 Charges for Services	-	-	7,294	12,379	4,453	60,926	8,577	8,667	7,748	9,268	9,414	12,827	141,553
350 Fines and Forfeitures	-	-	8,425	4,129	2,398	3,518	5,104	4,154	5,604	6,998	2,963	2,359	45,652
360 Miscellaneous	91,171	68,116	4,169	5,037	4,035	5,151	7,198	4,857	3,912	4,201	3,054	2,985	203,886
390 Other Financing Sources	2,246	36,267	41,417	128,010	76,431	62,159	256,990	36,954	207,503	95,779	78,308	24,940	1,047,004
							(250,000)		(164,811)				(414,811)
Total Resources	1,327,300	1,085,307	1,001,227	1,186,472	1,198,213	1,327,401	1,464,249	1,354,124	1,260,839	1,187,641	1,126,445	1,035,376	14,554,599
Operating Expenditures													
510-570 General Government	290,565	223,080	269,782	258,766	289,120	301,352	303,386	266,155	489,241	296,557	238,971	279,118	3,506,093
Total Operating Expenditures	290,565	223,080	269,782	258,766	289,120	301,352	303,386	266,155	489,241	296,557	238,971	279,118	3,506,093
591-93 Debt Service	-	-	-	-	-	-	-	-	(164,811)	-	-	-	(164,811)
594-96 Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	290,565	223,080	269,782	258,766	289,120	301,352	303,386	266,155	324,430	296,557	238,971	279,118	3,341,282
597 Other Financing Uses	59,656			1,138		34,951	281,840	45,156	108,032	984	57	5,258	537,072
							(250,000)						(250,000)
Total Uses	350,221	223,080	269,782	259,904	289,120	336,303	335,226	311,311	432,462	297,541	239,028	284,376	3,628,354
One Time Grant Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Net Cash and Investments	977,079	862,227	731,445	926,568	909,093	991,098	1,129,023	1,042,813	828,377	890,100	887,417	751,000	10,926,245
Notes:	390 Primarily Diverted Road Tax 330 Intergovernmental -- Payments in Lieu of PT (\$209K); I695 Replacement Funding (\$226K); MV Fees (\$60K) 597 Other Financing Uses -- Capital Outlay, Debt Service and Transfer to other funds 390 and 597 250,000 loan to e-911 in July was repaid same month 390 and Gen Gov Sept spent on jail security panel replacement												

APPENDIX VI

**FERRY COUNTY CASH BALANCE CALCULATION MODEL
USING THE YEAR ENDED DECEMBER 31, 2004 AS A BASE**

	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>TOTAL</u>
Beginning Cash and Investments	819,000	653,859	584,930	535,718	818,210	795,127	959,316	1,021,300	904,821	706,722	830,856	818,172	751,000
Revenues													
310 Taxes	27,913	71,921	85796	233,629	125,964	38,837	33,530	60,742	54,654	168,128	131,417	44,484	1,077,015
320 Licenses	1,853	3,852	4498	3,547	6,092	6,235	3,388	4,129	3,519	3,430	1,685	991	43,219
330 Intergovernmental	52,516	35,759	21744	71,932	19,306	301,134	289,644	15,427	45,242	57,033	33,941	30,011	973,689
340 Charges for Services	10,087	5,905	6571	9,372	7,721	6,572	9,047	9,525	9,743	7,691	8,096	10,094	100,424
350 Fines and Forfeitures	1,672	3,173	3784	3,107	3,046	2,939	3,673	2,425	1,939	3,353	2,478	4,407	35,996
360 Miscellaneous	3,459	3,128	2436	2,516	3,255	3,660	2,968	3,847	3,503	3,759	3,922	4,655	41,108
390 Other Financing Sources	9,530	47,789	51418	221,037	79,473	65,966	9,825	31,460	34,651	131,036	76,071	13,001	771,257
Current Resources	107,030	171,527	176,247	545,140	244,857	425,343	352,075	127,555	153,251	374,430	257,610	107,643	3,042,708
Total Resources	926,030	825,386	761,177	1,080,858	1,063,067	1,220,470	1,311,391	1,148,855	1,058,072	1,081,152	1,088,466	925,815	3,793,708
Operating Expenditures													
510 to 570 General Government	271,402	231,682	210849	249,689	254,865	244,252	285,037	214,348	243,525	241,814	244,753	270,615	2,962,831
510-570 Total Operating Expenditures	271,402	231,682	210,849	249,689	254,865	244,252	285,037	214,348	243,525	241,814	244,753	270,615	2,962,831
591-93 Debt Service				-	-								-
594-96 Capital Outlay													-
Total Expenditures	271,402	231,682	210,849	249,689	254,865	244,252	285,037	214,348	243,525	241,814	244,753	270,615	2,962,831
597 Other Financing Uses	769	8,774	14610	12,959	13,075	16902	5054	29686	107825	8482	25541	11304	254,981
Total Uses	272,171	240,456	225,459	262,648	267,940	261,154	290,091	244,034	351,350	250,296	270,294	281,919	3,217,812
Ending Net Cash and Investments	653,859	584,930	535,718	818,210	795,127	959,316	1,021,300	904,821	706,722	830,856	818,172	643,896	575,896

Note: Beginning Cash Balance Requirements are calculated using the desired cash balance in April (low cash month for the year) e.g. If desired low cash balance is 2 times the average monthly expenses plug is annual total uses divided by 12 times 2 in the April cash balance slot.

Appendix VII

Glossary of Financial Terms

Capital and Debt Funds – Funds of the County that account for the resources set aside for capital outlay or repayment of debt obligations. Capital outlays are expenditures for fixed assets such as buildings or equipment.

Cash Flow – Resources available to pay for the County’s expenses on a monthly basis.

Current Expense Fund – The primary operating fund of the County. The Current Expense fund accounts for most revenue and expenditures related to criminal justice, general government, public health services and planning.

Enterprise Funds -- Enterprise Funds account for expenses the same way as the private sector. Enterprises are limited to government operations that directly charge for their services such as garbage, water or sewer service. Expenses include depreciation of fixed assets.

Fiscal Year - A twelve-month period to which the annual operating budget applies and at the end of which a government determines its financial position and results of its operation. For most local governments, the reporting year ends December 31 each year.

Fund - A fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein.

Fund Balance - The fund equity or remaining assets of governmental funds. Total fund assets less total fund liabilities.

Intergovernmental Revenue - Revenues from other governments in the form of grants, entitlements, shared revenues, payments in lieu of taxes, or payments for goods and services.

Miscellaneous Revenue – Revenue received by the County from sources such as sale of assets, rent or donations.

Operating Margin – The difference between revenue received by the County and expenditures during a twelve-month period expressed in terms of a percentage of revenue.

Special Revenue Funds – Operating funds of the County that account for operations of the County using restricted revenue. Restricted revenues represent revenues legally restricted for a specific use. They are generally tied to a provision in state law.