



# Franklin County Strategic Financial Plan

February 2024



# Franklin County Strategic Financial Plan

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\*Peer Counties: Benton, Chelan, Grant, and Yakima



# Executive Summary

## Overview: Strategic Financial Plan

Franklin County is experiencing the pressure that comes with being the state’s fastest growing county over the past two decades. The County’s population has grown faster than 2% per year—even during economic downturns and the pandemic. County revenues aren’t keeping up with this growth and the burgeoning demand for services. Franklin County is finding it increasingly difficult to cover the costs of basic services.

Confronting this pressure Franklin County leaders are taking the opportunity to look ahead and develop a plan to attain financial sustainability for the future. County leadership has appointed an 18-member Strategic Growth Committee to chart this path, charging them with developing a *Strategic Financial Plan*—a shared vision and priorities for the organization’s future.

Strategic Growth Committee	
Tim Anderson Finance, Director	Beau Beckley, Assistant IS Director
Whitney Conner, OPD Assistant	Liz Cupples, Information Services Director
Shirley Jones, Special Projects Manager	Craig Erdman, Public Works Director
Josie Koelzer, Treasurer	Mike Killian, Clerk of Court
Jennifer Medlez, Assistant to County Administrator	Curtis McGary, Coroner
Trinity Orosco, District Court Presiding Judge	Ruby Ochoa, Assistant Clerk of Court
John Rosenau, Assessor	Jim Raymond, Sheriff
Kelly Shadler, Assistant to Prosecuting Attorney	Shawn Sant, Prosecuting Attorney
Margot Wilder, HR Director	Ruslan Stetskiy, Treasurer’s Office

As an early step, a consultant team was retained to help build the Strategic Financial Plan in close collaboration with the Committee. The consultant team is an alliance led by Consor Strategic Planning & Communications (Portland, Bend, Seattle) and HDR, Inc (Pasco, Spokane, Bellevue). This same partnership has taken on similar assignments in the past. A local Tri-Cities human resource consultant, Carrie Locke, was added to the team to evaluate salaries for key positions across County government.

The goal for the Strategic Financial Plan is to gain a clear understanding of Franklin County’s financial condition, today and projected for the future. With that full understanding the next step is to create a roadmap to a firm financial foundation that will support the County’s critical services, along with a framework of policies to guide the County’s financial decisions.

Strategic questions for the Plan to address:

- What is the County’s current financial condition? What’s the outlook for the future?
- How does Franklin County compare with peers?
- What are proven strategies to improve the County’s financial position—now, and for the future?
- What priorities are needed: immediate and long-term?



The County’s job is to always be there— in a natural disaster or emergency, to run an election and accurately count votes, to issue a marriage license or provide services that meet the everyday needs of its residents. The overarching question: can Franklin County afford to continue in that role without interruption?

## Results

At the outset of planning, members of the Strategic Growth Committee were surveyed on Franklin County’s current financial condition and future prospects. Most of these observers (the County’s top managers) said things are “just okay” for now, but also expressed concerns about the future. Half of the department heads reported already experiencing budget shortfalls.

Analysis confirms the group’s wisdom. The County’s finances have been “just okay” in recent years, in decent shape largely due to a strong economy and an unprecedented influx of grant dollars. That situation is about to change. Even if the economy grows awhile longer, and even if new construction continues at a very high level, forecasts show the County’s revenues can’t keep up.

County managers have already been taking steps to address financial shortfalls:

- Holding staffing levels well below peer counties
- Drawing down or borrowing from reserves
- Shifting Road Levy dollars to the General Fund
- Successfully pursuing federal and state grants
- Keep salaries below market levels for some positions
- Deferring capital investments

Soon, those steps will no longer be enough. Projections show a chronic gap in the County’s annual budget of \$3 million to \$7 million every year.

The Strategic Financial Plan proposes 18 strategies to help assure a sustainable financial future for County government. These strategies are designed to:

- Add new revenue sources
- Increase current revenue sources
- Adopt cost-saving efficiencies
- Improve financial management

The most important strategies are those that promise to increase revenues since the County’s resources haven’t been able to keep up with the steady growth in population and service demand. The single most important solution is a property tax “lid lift” which requires Board support and voter approval.

Another early step should be adopting financial policies that guide the County’s decision making. The first order of business is to enact a policy that supports building adequate cash reserves in the General Fund. Best practices call for setting aside an amount equivalent to two months (16.6%) of annual revenues or expenditures. This would be \$7.5 million—far more than the \$2-3 million the County holds in reserves today. The lack of adequate reserves leaves Franklin County in a precarious position.



Adopting financial policies and most other proposed strategies requires the approval of Franklin County’s Board of Commissioners. Together, they are captains of the County’s finances —the future is largely in their hands. Assuring a sustainable financial future for County government will demand their visionary leadership.

## Franklin County’s Finances—Q & A

Results of the Strategic Financial Plan are summarized below in questions and answers.

*What is Franklin County’s current financial condition?*

A recent financial assessment confirms suspicions raised by County leaders—things are “just okay” for now. However, financial forecasts show that picture will change soon, with Franklin County experiencing chronic budget shortfalls starting soon.

*When will the County begin to feel financial stress?*

The projected budget gaps are here now or just around the corner. Starting in 2024, the General Fund budget shortfall is estimated to range from \$3.5 million to \$7.0 million annually. That budget gap is expected to recur every year for the foreseeable future.

*How did this happen?*

County revenues are simply not growing fast enough to keep up with expenses. Franklin County has been Washington’s fastest growing county for more than 20 years, with sustained population increases greater than 2% per year. The County’s two main revenue sources, property tax and sales tax, are both capped by law. They aren’t keeping up with the service demand driven by a population that is now 102,000—more than twice the size of the 2000 Census. Another factor is unfunded mandates—services required by state law, but not fully compensated.

*What are Franklin County’s major revenue sources? How much are those sources contributing to the County’s budget?*

The two primary funding sources are property tax and sales tax. Together, these sources currently provide around 57% of total revenue or 80% of General Fund. See the table below for the impact to the County’s revenue.

Property Tax and Sales Tax as Percentages of County Revenues

	Total Revenue	% of Total Revenue	General Fund Revenue	% of General Fund Revenue
Property Tax	\$14.6	24%	\$10.5	48%
Sales Tax	\$19.7	33%	\$7.0	32%

*What percentage of property taxes paid in Franklin County go to support County government?*



Most property taxes go to other agencies around 10% of total property taxes assessed countywide supports Franklin County government. Another 3% of total taxes covers County road maintenance. Property taxes paid to Pasco and other cities account for 11.3%. Schools represent the biggest share—68% of total property taxes in 2023.

*Are Franklin County’s staffing levels in line with peer counties?*

Franklin County staffing levels have grown modestly as economic conditions improved after furloughs of County staff during the “Great Recession”. But staffing levels today are well below the levels in four peer counties selected by the Strategic Growth Committee—Benton, Chelan, Grant and Yakima—and have remained unchanged in proportion to the County’s growing population.

Franklin County Staffing (2020-2024)

	2020	2021	2022	2023	2024
<b>Employees (FTE)</b>	277	277	284	283	295
<b>Employees per 1,000 population</b>	2.82	2.80	2.89	2.77	2.84

*Are County wages and benefits comparable to peers?*

Although Franklin County hasn’t conducted a comprehensive salary study since 2019, salary comparisons were recently completed for 13 “at-risk” positions experiencing high turnover and/or difficulty recruiting replacements. The results show Franklin County’s wages are comparable with peers for most of these positions—although there are some exceptions. Franklin County’s employee benefits are also generally comparable to other counties. (An exception is the County’s high contribution to HRA VEBA accounts for some employees.)

*Will today’s financial conditions stabilize? Improve? Worsen?*

Forecasts indicate the County’s financial stress will become chronic over the next decade unless steps are taken soon to intervene.

*Do the County’s financial policies contribute to stability?*

Unlike its peers, Franklin County has virtually no adopted financial policies—only two policies, in contrast to 6 to 11 policies in place for peer counties. Franklin County’s most important policy—for the General Fund reserves—is considered deficient by national financial standards for county governments. Franklin County leaders agree.

*What are possible remedies—immediate, short-term and long-term—to strengthen Franklin County’s finances?*

Possible solutions include pursuing cost-saving efficiencies, increasing existing revenue streams or enacting new revenue sources, and taking steps to improve financial management. Staff costs—wages and benefits—account for most of the County’s General Fund expenses. Reducing costs would most likely mean reductions in staffing levels and service cuts. With demand for County services largely driven



by the growing population and state mandated service levels, opportunities for achieving savings through service cuts are limited. Most other cost-saving efficiencies would require upfront investments in new technology, automation, etc. As a result, the most promising options to improve financial health lie in increasing County revenues to keep up with growing demand for County services.

*What measures does the Strategic Growth Committee recommend?*

To advise the Strategic Financial Plan, the County Administrator formed a Strategic Growth Committee of elected and appointed department heads. The Committee’s overall advice is *consider all possible options*. As a first priority, the Committee recommends that every department explore and enact cost-saving efficiencies wherever feasible. The Committee also recommends increases in revenues. The most powerful measure is a recommendation to pursue voter approval for a “lid lift” in Franklin County’s property tax rate. 17 additional strategies are also proposed.

*Do these measures require voter approval?*

Only two of the 18 proposed measures require voter approval. These are the so-called “lid-lift”—, an increase in Franklin County’s maximum property tax limit, as well as the 911 sales tax option. Under statutory constraint; the property tax, the tax rate for Franklin County government has fallen steadily from \$1.44 per \$1,000 of assessed value in 2020 to below \$1.00 per \$1,000 for the first time in 2022, and now to \$0.75 per \$1,000 of assessed value in 2024. As an example, raising the lid tax rate from \$0.75 to \$1.13 per \$1,000 in 2024 would yield an additional \$6 million per year—enough to meet the current and projected budget shortfalls.

*Is Franklin County prepared for an economic downturn? What’s the outlook for the local economy?*

The outlook for Franklin County’s economy continues to be bright, with the population growth expected to grow 1.5% per year,—at near-historic levels. The Tri-Cities region has proven to be virtually recession-proof, retaining population and jobs through the most recent downturns. In the event of a serious economic decline, however, Franklin County lacks sufficient reserves to postpone or avoid staff layoffs and service cuts.

*Why aren’t County revenues keeping up with growth?*

Demand for many County services is driven by the population served: Sheriff’s patrol, courts and corrections, public health, mental health, licensing and other services. In contrast, it may seem puzzling but most County revenues aren’t directly linked to population growth. So population increases don’t automatically produce higher revenues. The second biggest revenue source is the property tax, which has no connection to population growth. The sales tax is the other big revenue generator and can produce revenues generally proportionate with population growth. But only a small fraction of total sales tax receipts goes into County coffers. With the exception of Federal/State grants and most other County revenues appear to be flat or declining with respect to inflation.

*How has the County been “making ends meet” in recent years?*

In addition to keeping staffing levels low, the County has increasingly relied on grant funds, peaking at \$10.4 million in FY2020—well about the traditional level of \$3 million per year. Other actions taken by Franklin County to balance the budget:

- Drawn down/borrowed from reserves
- Road Levy shift allowed under RCW 84.52.053
- Held salaries below market levels for some positions
- Postponed capital improvements



# 1. The County’s Financial Situation: 2024 and Beyond

## Franklin County’s Budget Picture: Looking Back; Looking Ahead

The months-long process to develop Franklin County’s 2024 operating budget was emblematic of a “tough” budget year. Millions of dollars in cuts were needed to balance the \$49.4 million budget.

In the end, a balance was achieved without more drastic measures such as staff layoffs or furloughs, salary cuts, service constraints on tax increases. This “soft landing” instead counted on an optimistic revenue forecast, a shift of Road Levy dollars to the General Fund, reducing contingency funds, drawing down reserves, and using banked property tax capacity. In recent years, County budgeting had been easier, with few tough decisions to be faced. A strong economy had driven new construction and retail sales through the pandemic and since, filling the County’s property tax and sales tax coffers.

Looking ahead, the tougher 2024 budget process is an early sign of things to come. Franklin County can expect to confront significant deficits —every year— of \$3 million to \$7 million. Maintaining financial sustainability will demand a series of well coordinated Board actions to increase revenues, control costs, and strengthen the County’s financial management.

The Strategic Financial Plan is intended to provide direction that focuses County leaders’ attention on the most effective strategies and actions that can make the greatest difference.

### Issues and Opportunities

At the outset of planning the consultant team surveyed members of the Strategic Growth Committee and conducted interviews with a cross-section of County’s elected and appointed leaders. While most leaders are troubled by Franklin County’s financial situation, they remain hopeful there’s still time to find solutions.

A summary of issues and opportunities identified for Franklin County’s financial future appears below.

### Franklin County’s Financial Future

Issues	Opportunities
County not paying competitive wages for some positions	Finances haven’t yet reached crisis stage
VEBA contributions are unsustainable	Strong local economy continues
Population growth is straining County services	County not yet using all revenue streams allowed by statute
Unfunded mandates are contributing to financial stress	Sales of County-owned real estate would provide one-time infusion of funding
Some solutions require voter approval	

The agreed purpose of the Strategic Financial Plan is to explore these issues and opportunities, then chart a path forward to attain financial sustainability for Franklin County.



## 2. Economic Overview

### Economic Outlook for Franklin County

Franklin County’s future financial condition is strongly influenced by macro-economic trends—local, statewide, national and global. A backward look at the local economy shows the county has enjoyed a solid platform of continuous growth and underlying economic strength. Franklin County has been the state’s fastest growing county over the past 20 years. Businesses have flourished, with many experiencing substantial job growth. Household incomes have risen significantly.

The big question is about the future. Will Franklin County’s economic growth and prosperity continue? A recent study from the City of Pasco compares Franklin County and Pasco’s economy with the Tri-Cities and Washington statewide.\* The study concludes the favorable economic climate and population-growth in Franklin County will continue into the foreseeable future. The County’s remarkable job growth is projected to continue. This analysis is confirmed by a recent survey of local businesses that found:

- 41% say their business is “better than ever” or “improving”
- 47% plan to expand in the next five years

Highlights of the economic/demographic analysis are shown below, with Franklin County comparing favorably with statewide averages in many categories.

<b>Population Growth (2010-2023)</b>	+ 1.98% per year in Franklin County <i>+1.2% statewide average</i>
<b>Growth Forecast</b>	+1.5% per year in Franklin County
<b>Ethnicity</b>	55% Latino in Franklin County <i>15% Latino statewide</i>
<b>Median Age</b>	31.3 years in Franklin County <i>38.8 years statewide</i>
<b>Household Income</b>	\$71,300 in Franklin County <i>\$89,400 statewide</i>
<b>Poverty</b>	11.4% in Franklin County <i>6.4% statewide</i>
<b>Median Home Values</b>	\$327,000 in Franklin County <i>\$510,000 statewide</i>
<b>Home Ownership</b>	70% in Franklin County <i>63% statewide</i>
<b>Education</b>	18% bachelor’s degree in Franklin County <i>37% statewide</i>
<b>Labor Force</b>	26% no high school diploma in Franklin County <i>8% statewide</i> 67% of Franklin County residents (16+) employed <i>63% statewide</i>



<b>Job Growth</b>	30,600 jobs (2012) 37,300 jobs (2022) +21.9%
<b>Growth Sectors</b>	Construction Wholesale trade Retail Transport/warehousing Health/education

\*E.D. Hovee & Co., Profile of Pasco's Economy, 2023

**Favorable Characteristics of Franklin County's economy:**



- ✓ Fastest growing county in Washington and projected to continue
- ✓ Job growth keeping up with population growth
- ✓ Pacific Northwest's largest Hispanic community
- ✓ Young population
- ✓ Large households—high labor force participation rate
- ✓ Affordable home prices and strong home ownership
- ✓ Excellent education system: K-12, community college, university

**Less Favorable Characteristics:**



- ✓ Household incomes only 80% of the statewide average
- ✓ Education levels well below peer counties
- ✓ Largest economic sector—agriculture/natural resources—jobs flat or declining
- ✓ Poverty above statewide average

**Where the Jobs Are**

Franklin County's economic outlook is largely a story about jobs. The past decade has produced outstanding results for Franklin County with jobs increasing 21.9% to 37,300 by 2022. There have been job gains almost across the board, with only two employment sectors losing jobs (agricultural/natural resources and government). The accompanying table shows Franklin County's ten leading job-providing sectors.



## Franklin County Top Ten Employment Sectors (2022)

Sector	Jobs
1. Government	6,579
2. Agricultural/Natural Resources	6,291
3. Retail	3,862
4. Manufacturing	3,848
5. Health/Education/Social	3,785
6. Construction	2,859
7. Leisure/Hospitality	2,652
8. Wholesale Trade	2,474
9. Transport/Warehouse	1,738
10. Professional/Business Services	1,687

In many sectors, wages have also increased significantly. Average wages have been stagnant in only one sector—agricultural/natural resources.

The accompanying matrix shows Franklin County’s employment sectors experiencing the fastest job growth, the fastest wage growth, and the best job and wage growth overall.



## Prospects for Tomorrow

Franklin County job growth is projected to continue keeping pace with the population increase—the State forecast is 1.5% per year. Where will those jobs come from? Here are the top prospects:

1. *Franklin County's current leading employment sectors:* All of the current “Top Ten” are adding jobs every year, with the exception of agriculture/natural resources and government.
2. *Population growth:* The pattern of sustained population increases, year after year, creates opportunities for business formation and expansion, and new jobs. The employment sectors that benefit most from population growth are retail, health/education/social, leisure/hospitality, professional/business services, and finance/insurance/real estate.
3. *Construction:* the growing population and consequent business expansion generate demand for more construction workers. 2022 was Franklin County's busiest construction year in history; that pattern is expected to continue. Also, these semi-skilled jobs provide the opportunity for on-the-job training that is well matched to Franklin County's available labor force.
4. *New arrivals:* The Port of Pasco has two primary roles in economic development for Franklin County—as owner/operator of the Tri-Cities airport, and as the developer of industrial and harbor lands. The Port's role will be pivotal in continuing the economic momentum of the past 20 years and introducing new employers through harbor improvements and expansion at the Tri-Cities Aerospace Industrial Center on 460 acres adjacent to the airport.

Looking ahead, Franklin County's economy can be expected to benefit from a number of significant, job-producing private and public sector investments—those recently completed and currently underway, or planned (see below). Franklin County's financial records show that 2022 was the strongest construction year in the County's history (although preliminary data suggests 2023 wasn't quite as good).



## Recent/Planned Economic Development Projects

### Recent

- Franklin Visitor Center
- Catholic Charities—60-unit apartment property \$17 million
- Reser's Fine Foods—new \$120 million plus

### Underway

- Amazon—two distribution centers, 1 million sf on 266 acres, \$226 million—first phase
- Darigold—\$650 milk processing center on 150 acres
- Local Bounty—\$40 million greenhouse/hydroponic complex on 26 acres
- New high school—\$138 million

### Planned

- Broadmoor—1,200+ acres mixed use development; 7,000 homes
- Osprey Pointe—55 acres on riverfront; 1,000 residential units
- Other Residential—1,300 units in various locations
- Pasco Business Center—\$40 million facility on 4.6 acres
- Tarragon Warehouses—111 acre site on Road 40 (similar site to Amazon)
- Tri-Cities Aerospace Industrial Center—Innovative manufacturing Center on 466-acre site adjoining airport
- Lewis Street Overpass—\$36 million gateway to Pasco downtown
- Road 100 Interchange—\$40 million interchange improvements to serve Broadmoor development
- City Utility Upgrades—Process water reuse facility to service food processors
- Downtown Redevelopment—\$41.2 million purchase of motel property for redevelopment to support farmers market and Peanuts Park.
- Port Development—\$38 million capital projects planned for 2023-2032

## A Few Cautions

Franklin County's population and job growth hasn't been deterred by economic downturns or the pandemic. Looking into the future, however, some local business/economic leaders see cause for concern. Here are some of the challenges cited.

*Workforce:* Until now, Franklin County's growth has been made possible by a seemingly limitless supply of skilled and semi-skilled workers that has been sufficient to meet the demand. Some employers worry there may not be enough workers to meet the needs of a future economy growing at this same pace. There's also a concern that Franklin County's education levels will lag behind employers' emerging need for better educated and better trained workers.



*Housing:* Helping drive Franklin County’s population growth has been an adequate supply of housing at prices families can afford. Now, housing costs are rising. To keep up, Franklin County will need more multi-family housing and contemporary types of single-family products that offer efficiency, greater density—and affordable prices.

*Lack of developable sites:* Local economic development experts foresee a need to acquire more large industrial sites, converting vacant parcels and farmland, and preparing the sites to be “shovel-ready” to meet future employers’ requirements.

*Shortage of electrical power and natural gas supply:* Recent industrial arrivals and prospects have announced their demands for massive amounts of gas and electricity—signaling possible future shortages.

*Automation:* Manufacturing jobs in particular, may be subject to conversion to highly automated processes that substitute robots and other computerized machines for human workers.

*Soft economy:* How long can the boom be sustained? With credit card debt at an all-time high, plus high inflation, some economists and other observers are predicting a deep downturn that could affect traditionally “recession proof” Franklin County.



### 3. Revenue and Expense Forecast

Franklin County’s revenues drive the forecast for the County’s financial future. General Fund expenses are largely personnel-related and thus very predictable from year to year. In contrast, revenues are drawn from dozens of independent sources and are much more subject to wide swings. It’s important to look most closely at the County’s two primary funding sources— the property tax and the sales tax. Together, these two sources contribute 57% of the County’s total revenues and 80% of General Fund revenues.

Property Tax and Sales Tax as Percentages of County Revenues

	Total Revenue	% of Total Revenue	General Fund Revenue	% of General Fund Revenue
Property Tax	\$14.6	24%	\$10.5	48%
Sales Tax	\$19.7	33%	\$7.0	32%

The property tax has traditionally been the financial foundation for Washington counties’ budgets. For Franklin County, it still supports nearly half of the General Fund.

Property tax levies are limited each year to 101% of the previous year. However, the assessed value of new construction may be added each year allowing more upside in revenues for counties experiencing economic growth and new construction. That’s the story in Franklin County over the past decade.

Total assessed value in Franklin County is currently doubling every 5 years after four decades of doubling every 10 years. The 2024 figure is \$16.9 billion in assessed value compared to \$4.7 billion in 2010. Some of this increase is due to a general rise in property values. New construction has been a major contributor in recent years, reaching unprecedented levels. Recently, new construction has been adding \$100 to \$200 million per year in assessed value to the County’s tax rolls. Commercial construction added nearly \$400 million in 2023. This new construction is responsible for Franklin County’s significant increase in property tax collections—well beyond the 1% annual increase authorized by statute. Over the past decade, the County’s total property tax levies have increased an average of 6.7% per year.



## Franklin County Property Tax—2010 to 2024

Tax Year	Assessed Value	New Construction	Amount Levied	Levy Rate
2010	\$4,713,260,618	\$88,823,967	\$6,699,758	1.44102500
2011	\$5,064,340,874	\$153,348,896	\$6,938,711	1.38618300
2012	\$5,207,298,183	\$139,184,494	\$7,231,388	1.40334300
2013	\$5,428,102,659	\$106,378,265	\$7,459,885	1.47180700
2014	\$5,714,681,504	\$115,958,156	\$7,724,960	1.31552385
2015	\$6,077,967,248	\$108,080,636	\$7,948,308	1.27214729
2016	\$6,309,502,999	\$109,025,604	\$8,188,246	1.36453300
2017	\$6,914,065,407	\$172,394,207	\$8,522,669	1.29041789
2018	\$7,613,152,345	\$253,988,576	\$8,955,175	1.22540474
2019	\$8,530,118,269	\$264,821,522	\$9,414,219	1.26668810
2020	\$9,270,293,277	\$264,668,767	\$9,957,507	1.22117681
2021	\$10,066,109,464	\$263,386,196	\$10,288,697	1.10499567
2022	\$11,694,245,437	\$287,638,351	\$10,252,214	0.90457293
2023	\$13,800,124,462	\$566,670,229	\$11,482,771	0.85743944
2024	\$16,895,457,482	\$580,835,700	\$12,671,592	0.748217763

As assessed value has climbed, the County’s property tax levy rate has declined steadily. The rate in 2024 is only \$0.75 per \$1,000 of assessed value—around half of what it was just 15 years ago. Due to this steady dropoff, some observers suggest seeking voter approval for a property tax “lid lift” under RCW 84.55.050.

### Sales and Use Taxes in Washington State

The other leading revenue source for Washington counties is the sales tax, which is actually a series of taxes authorized under different statutes. The following list shows all of the sales tax options available to Franklin County and maximum amounts authorized under Washington law. The consultant team’s review confirms that Franklin County already collects all of the options at the maximum amounts allowed—with only two exceptions:

RCW 82.14.820 allows counties to enact a sales tax up to 0.2% for emergency communications (enhanced 911 systems and facilities). This sales tax option required voter approval and Franklin County has not yet enacted this tax.

RCW 82.14.525 and RCW 36.160.110 authorize counties to collect a 0.1% sales tax for a Cultural Access Program (CAP) supporting programs for public schools. However, since the funds must be dedicated to those programs, there would be no benefit for Franklin County’s General Fund.

Over time, sales tax revenues will continue to grow as a result of increased retail purchases by Franklin County’s ever-growing population. As newly urbanizing areas are annexed by Pasco and other cities, the 1.0% sales tax revenues generated from those areas are split between cities (85%) and County (15%). Franklin County is becoming increasingly urban with 80% of the county’s population residing in Pasco. Nearly all of the population growth is in cities—most of that in Pasco. Over the past decade, Pasco’s



population grew 29%, while the population outside Pasco increased only 7% over the same 10-year period. Therefore, most of the future growth in sales tax revenues will accrue to Pasco.

It is also possible the Washington counties may need to join forces to win legislative approval to increase the cap for some existing sales taxes or enact new taxes to help fund emerging needs: for example, to help fund burgeoning costs for public defense or emergency response.

### Franklin County’s Population Growth is Concentrated in Pasco

	Franklin County	Pasco	Franklin Co. Outside Pasco
<b>2020 Census</b>	96,749	77,108	19,641
<b>2010 Census</b>	<u>78,163</u>	<u>59,781</u>	<u>18,332</u>
<b>10-Year Growth</b>	18,586	17,327	1,259
<b>% Growth</b>	+24%	+29%	+7%

### Sales Tax Options Available to Washington Counties

State Sales Tax	6.5%	RCW 82.08.020
Unrestricted City and County Sales Taxes <ul style="list-style-type: none"> <li>• Basic/First Half of Sales Tax</li> <li>• Optional/Second Half of Sales Tax</li> </ul>	0.5% (split 85%/15%) 0.5% (split 85%/15%)	RCW 82.14.030 RCW 82.14.030 (2)
Affordable Housing Sales Tax	0.1%	RCW 82.14.530
Criminal Justice Sales Tax	0.1%	RCW 82.14.340
Cultural Access Program (CAP) Tax	0.1% (7 years)	RCW 82.14.525
Emergency Communications Sales Tax	0.2%	RCW 82.14.420
Juvenile Detention Facilities & Jails Sales Tax	0.1%	RCW 82.14.350
Mental Health & Chemical Dependency Sales Tax	0.1%	RCW 82.14.460
Public Safety Sales Tax	0.3% (shared with cities)	RCW 82.14.450
Rental Car Sales Tax <ul style="list-style-type: none"> <li>• State Sales Tax</li> <li>• County Sales Tax</li> </ul>	5.9% 1.0%	RCW 82.14.360 RCW 82.14.049
Transportation Benefit District Sales Tax	0.1% (10 years—voter approved)	RCW 36.73
911 Sales Tax	0.2%	RCW 82.14.820



## Building the Forecast

The revenue/expense forecast was developed by HDR staff in late 2023 in consultation with Franklin County’s budget office. The methodology combined quantitative and qualitative methods (see below).

Revenue/Expense Forecast Methodology	
<b>Quantitative Methods</b>	<ul style="list-style-type: none"> <li>• Linear, least square, exponential smoothing, etc.</li> <li>• Using underlying factors and other forecast sources</li> <li>• Removing one-time or outliers, high or low values</li> </ul>
<b>Qualitative Methods</b>	<ul style="list-style-type: none"> <li>• Reality check; does this make sense?</li> <li>• Are there “knowns” that should be accounted for?</li> </ul>
<b>Scenarios</b>	<ul style="list-style-type: none"> <li>• High/medium/ low revenues</li> <li>• High/medium/low expenses</li> <li>• 9-year forecast through FY 2032</li> </ul>

Data sources for the revenue/expense forecast included:

- Federal Reserve Bank of St. Louis
- US Census Bureau
- US Bureau of Labor Statistics
- US Bureau of Economic Analysis
- Washington State Economic Forecast Council
- Washington State Office of Financial Management
- Franklin County budgets and other financial data

Key forecast assumptions:

### Population

Historical average (10-year growth)—1.9%/year  
Forecast average growth—1.5%/year

### Retail sales per household

Historical average (10-year growth)—3.7%/year  
Forecast average growth—8.2%/year

### Median household income

Historical average (10-year growth)—4.5%/year  
Forecast average growth—4.5%/year

### Persons per household

Historical average—3.26  
Forecast average—3.25

### Home values

Historical average (10-year growth)—9.4%  
Forecast average growth—4.0%



The County's revenue streams studied included:

- Property tax
- Sales tax
- Real estate excise tax
- Hotel/motel tax
- Rental car tax
- Liquor tax
- Rents and leases
- Sales of assets
- Federal and state grants
- License, permit, and filing fees
- Fees for services
- Fines and penalties
- State revenue sharing
- Other misc. revenue sources

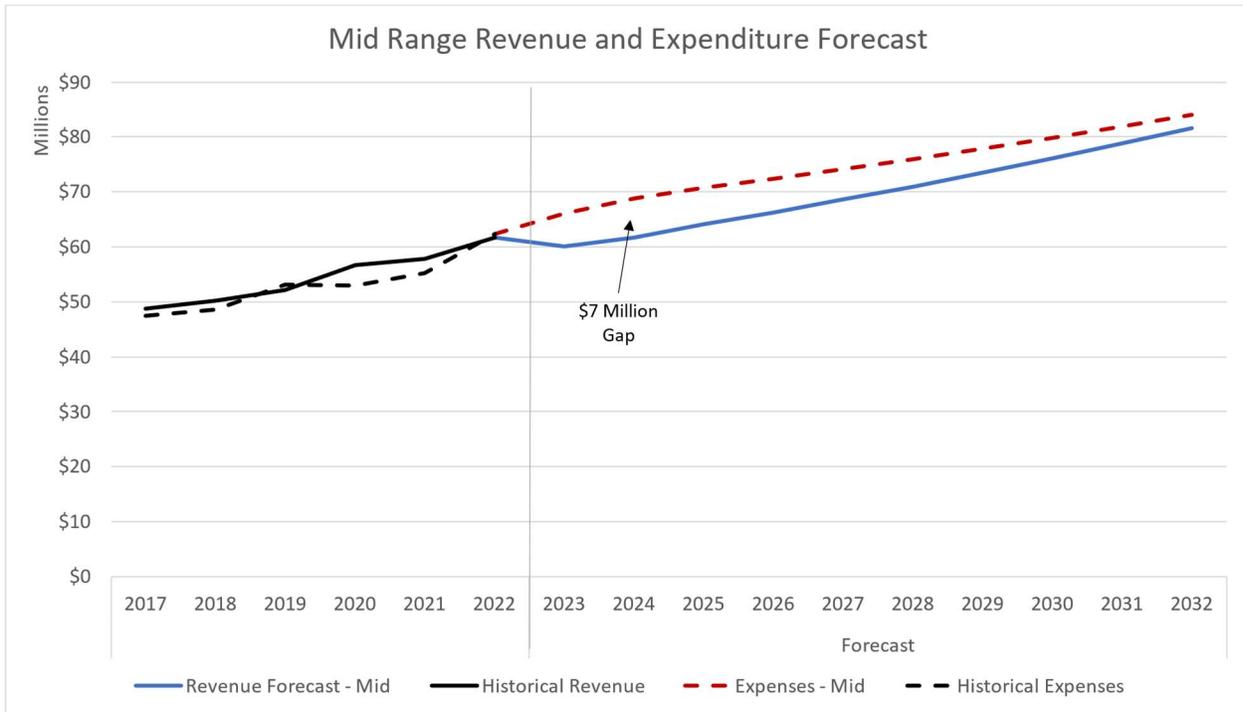
The County's expense categories considered for the forecast included:

- Salary and wages
- Professional services
- Medical and dental insurance
- VEBA contributions
- Pension
- Other employee benefits
- Maintenance
- Equipment
- Utilities
- Insurance
- Supplies
- Leases and rents
- Taxes
- Other misc. expenses

The initial revenue/expense forecast (mid-range scenario) showed a deficit beginning in FY 2024 of \$7.4 million per year. The projections indicated a budget deficit of this magnitude would continue for the foreseeable future.

The forecast was later adjusted to account for more favorable actual revenue receipts collected by Franklin County for 2023. As a result, the projected annual budget shortfall was reduced to \$7.0 million (see graph).





Next, the HDR revenue/expense forecast was compared with the forecast prepared by Franklin County for the FY 20242 budget process. That forecast showed an ongoing deficit closer to \$3 million. By closely comparing assumptions for the two forecasts, it was determined the discrepancy was largely due to different assumptions about grant revenues. The consultant forecast assumed federal/state grants would return to pre-pandemic levels—around \$3 million per year. The County forecast referenced the current level of grant funding—around \$6.5 million.

### County Employee Profile

Franklin County’s current staffing level is 294.58 FTE. This represents a modest increase over the past four years but is unchanged in proportion to the County’s growing population. (See table).

Franklin County Staffing (2020-2024)

	2020	2021	2022	2023	2024
<b>Employees (FTE)</b>	277	277	284	283	295
<b>Employees per 1,000 population</b>	2.82	2.80	2.89	2.77	2.84



Most of the County’s employees are working in Public Safety and Courts (147.5 of 295 employees) and in County Roads (44.5 employees). Together, these functions account for two-thirds of the County’s workforce.

Those departments/ programs are also experiencing most of the job growth. Franklin County has added 18 positions over the past four years; 15 of those new positions are in Public Safety and County Roads.

Comparing staffing levels with peer counties, Franklin County has significantly fewer employees than any of the peers. The closest is Chelan County, with 460 employees compared to Franklin County’s headcount of 295.

When staffing levels are compared to the current populations of each peer county, Franklin County is at the bottom. Staffing levels per 1,000 population range from the low of 2.96 per 1,000 (Franklin County) to 6.67 (Grant County)—more than twice the proportionate staffing for Franklin County. (See table).

### Staffing Level Comparisons—Peer Counties

	Franklin	Benton	Chelan	Grant	Yakima
<b>2024 Population (est.)</b>	99,782	217,203	80,228	103,053	257,709
<b>Staff FTE</b>	295	700	460	686*	981
<b>FTE per 1,000 Population</b>	2.96	3.22	5.70	6.67	3.80

## Employee-Related Costs: Comparisons with Peers

### Overview

Members of the Strategic Growth Committee expressed concerns about Franklin County’s ability to recruit and retain employees to fill important and essential jobs. Across County government there are reports of unusually high turnover and difficulty filling some key positions.

Committee members identified a number of “at-risk” positions currently experiencing either unprecedented turnover and/or extreme difficulty in recruiting and retaining replacements (see below). Many, but not all, of these positions are in public safety and courts.



## Franklin County “At-Risk” Positions\*

<b>Assessor’s Office</b>	
	Appraisers GIS/cartographer
<b>Auditor’s Office</b>	
	Finance director Facilities director
<b>Office of Public Defender</b>	
	Attorneys
<b>Prosecuting Attorney</b>	
	Chief deputies Prosecuting attorneys
<b>Public Works Department</b>	
	Engineers Engineering technicians
<b>Sheriff’s Office</b>	
	Corrections deputies Corrections maintenance staff Administrative support staff
<b>County Clerk’s Office</b>	
	Deputy Clerk

*\*Identified in Strategic Growth Committee survey and County leadership interviews as experiencing high turnover and/or difficult replacement.*

### Salary Comparisons with Other Counties

The consultant team compiled data on wages for these 13 positions, and researched current wages for similar positions in four counties located within the same labor market and selected by the Strategic Growth Committee: Benton, Chelan, Grant and Yakima Counties.

These four counties draw employees from the same labor market area that Franklin County depends on. However, two of these counties have much larger populations. Benton County’s population is 206,900 and Yakima County’s is 256,700. Due to their larger size, they also have significantly greater assessed value and retail sales that drive county revenues (see table below). Chelan and Grant Counties are more comparable in size, with 79,000 and 99,000 residents respectively.

In addition to population differences, there are significant disparities in factors that dictate each county’s ability to pay—assessed value that drives county property tax revenues, and retail sales that produce sales tax revenues. Total assessed value in Franklin County is only 40% to 85% of assessed value of the other counties. Franklin County’s retail sales also lag behind: 38% to 80% of the other counties.

Population growth, on the other hand, drives demand for county services. At 21.3%, Franklin’s growth over the past 10 years (2010 to 2020 Census) significantly exceeds all other counties, which range from 5.4% to 16.6% growth over the same period. Another factor driving demand for county services is poverty. Franklin County is well above the statewide average for persons in poverty.



## Franklin and Other Counties in the Labor Market—Facts & Figures\*

	Franklin	Benton	Chelan	Grant	Yakima	Washington
<b>2020 Population</b>	96,749	206,873	79,141	99,123	256,728	7,705,281
<b>2010 Population</b>	78,163	175,177	72,453	89,120	243,231	6,743,000
<b>10-Year Growth</b>	+21.3%	+16.6%	+8.8%	+10.6%	+5.4%	+13.3%
<b>Assessed Value (2019)</b>	\$8,600,756,700	\$21,278,349,070	\$12,888,532,704	\$10,063,488,910	\$19,303,017,571	\$1,322,358,875,562
<b>Retail Sales (2020)</b>	\$1,956,401,028	\$1,674,787,996	\$2,270,373,620	\$2,408,821,194	\$4,445,683,773	\$178,456,360,445
<b>Persons in Poverty (2020)</b>	11.8%	10.6%	10.8%	11.7%	14.7%	10.0%

\* Benton and Yakima Counties are not comparable because of much greater populations, assessed value and retail sales, which distinguish their ability to pay.

Resources:

Population – Washington State Office of Financial Management

<https://ofm.wa.gov/washington-data-research/population-demographics/population-estimates/historical-estimates-april-1-population-and-housing-state-counties-and-cities>

Assessed Valuation – Washington State Department of Revenue

<https://dor.wa.gov/about/statistics-reports/property-tax-statistics/property-tax-statistics-2020>

Retail Sales – Washington State Department of Revenue

<https://dor.wa.gov/local-retail-sales-2020>

Persons in poverty, 2020 – U.S. Census

Care was taken to ensure the job duties were identical or similar. For several of these at-risk positions it was determined they have been experiencing employee attrition to adjacent cities: Kennewick, Pasco and Richland. For these positions—clerical staff and Public Works engineers, data on comparable positions was compiled for those three cities.

Despite the disparities in ability to pay, the analysis determined that Franklin County offers comparable wages for most of the positions studied. The exceptions are in several departments, notably the Prosecuting Attorney and Sheriff’s Offices. The following table shows the Franklin County “at risk” positions compared with four peer counties. “*Much higher*” means that county offers wages at least 10% higher for a similar position. “*Much lower*” means that county pays at least 10% less.

For these positions, Franklin County will need to increase wages or continue to experience high turnover and difficult recruitment.



## At-Risk Positions—Salary Comparisons with Peer Counties

	Benton	Chelan	Grant	Yakima
<b>Assessor's Office</b>				
GIS/Cartographer	Much higher	Much lower	Much lower	Much lower
<b>Auditor's Office</b>				
Facilities Director	Much higher	Par	N/A	Much higher
<b>Public Defender</b>				
Attorneys	Much higher	N/A	Much higher	Much lower
<b>Prosecuting Attorney</b>				
Chief Deputies	Much higher	Par/Lower	Much higher	Much higher
Attorneys	Much higher	Par	Much higher	Much higher
<b>Public Works</b>				
Technicians	Par	N/A	Higher	Much higher
<b>Sheriff's Office</b>				
Corrections Deputies	Higher	Lower	Much higher	Higher
Corrections Maintenance	Much higher	Much higher	Much higher	Much higher

### Benefits Comparisons

Comparing employee benefits with the four counties plus the cities of Pasco, Kennewick and Richland confirms Franklin County's benefits are comparable to the other jurisdictions. Equivalent programs are available for medical, dental, vision, and wellness coverage, along with life and disability insurance, employee assistance, and deferred compensation. The only significant difference is Franklin County contributes much more to the HRA VEBA accounts for some employees. The accompanying table provides the benefits comparisons.



## Benefits Comparisons— Peer Counties and Others

BENEFITS COMPARISON	FRANKLIN COUNTY	BENTON COUNTY	CHELAN COUNTY	GRANT COUNTY	YAKIMA COUNTY	CITY OF PASCO	CITY OF KENNEWICK	CITY OF RICHLAND
<b>Medical Insurance</b>	Yes - United	Yes United Employees Benefit Trust and Kaiser	Yes - Premera  3 PPO Plans	Yes	Yes - Premera	Yes, Employee and all eligible dependents covered for only \$153.70/month.	Yes – Asuris NW or Kaiser City pays \$2,312, employee pays \$180	Yes - Cigna
<b>Wellness</b>	Yes	Not listed	Not listed	Not listed	Yes	Not listed	Not listed	Yes, in-house wellness committee. Utilizes many Cigna offerings.
<b>Prescription Drug Plan</b>	Yes	Yes	Yes - Premera	Yes	Yes	Yes	Yes	Yes - Cigna
<b>Dental</b>	United & Willamette	Delta & Willamette	Delta	Delta	Delta	- EE pays \$11.59/mo	Delta & Willamette  -City pays 100%	Cigna -City pays 100%
<b>Vision</b>	VSP	VSP	Yes	Yes	Yes VSP	Yes	VSP	VSP - City pays 100%
<b>Basic Life Ins.</b>	Yes	Yes, premium \$3.60	Yes	Yes	Yes	Yes	Yes, 1.5x	Yes, 2x annual salary
<b>Vol. AD&amp;D</b>	Yes	Yes	Yes	Yes	Yes	Yes	Not listed	Yes, Sunlife
<b>Vol. Term life</b>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes, Sunlife
<b>VEBA</b>	Up to \$1,600/mo	\$300/mo.	\$175/mo.	No	\$1100 per month for health insurance. If the employee insurance election is less than this, the difference goes into a VEBA.	Yes but only for Directors 2% and Managers 1% salary deferral into VEBA.	No	No. Offers retirement health savings account.
<b>Flex Spending Accounts</b>	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes, Chard Snyder.
<b>Employee Assist. Plan (EAP)</b>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes, CompPsych
<b>Mandatory Retirement Plan (DRS)</b>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes (PERS or LEOFF, depending)
<b>Deferred Comp Plan (457)</b>	Yes	Yes, Mission Square		Yes	Yes	Yes	Yes	Yes, match with % depending on contract. Also offer 401a.
<b>Vol. Life &amp; Accident Ins.</b>	Yes	Yes	Yes	Yes		Yes	Yes	Yes, Vol. Life & Vol. AD&D through SunLife.
<b>Vacation Leave Accrual</b>	25 days/yr Depending on contract	Yes	12 days/yr	12 days/yr	15 days/yr	12 days/yr (starts)	Accrue 12 hrs/mo	PTO or Vacation, depending on contract.
<b>Sick Leave</b>	1 hr/ 40 hrs Up to 5 days per state law	8 hrs/mo	12 days/yr	8 hrs/ mo	1 hr/ 40 hrs	3.7 hrs/ PP	Yes per state law.	Sick or Extended Sick Leave, depending on contract. Also state sick leave to any employee who is covered under that law.
<b>Paid Holidays</b>	12 +1 Floating	12	12	12	11	10 + 1 Floating	9 + 3 Floating	10 paid holidays



Employees who waive medical coverage are offered an in-lieu contribution to an HRA VEBA health reimbursement savings plan or issued a taxable cash payment. Most eligible employees opt for tax-free HRA VEBA contributions. The current maximum is up to \$1,600 per month or \$19,200 per year.

The HRA VEBA program has become very popular with employees and Franklin County’s VEBA costs have grown much faster than County revenues. Over the most recent five years, VEBA costs rose from \$1.325 million to \$2.495 million—an 88% increase, or an average of 17.7% per year. That’s more than three times the rate of increase in County revenues. Franklin County’s VEBA costs are rising faster than medical insurance rates—despite steep hikes in those costs.

### Franklin County VEBA Costs

Year	2019	2020	2021	2022	2023	2024
<b>Total</b>	\$1.325 M	\$1.272 M	\$1.779 M	\$1.877 M	\$2.427 M	\$2.495 M

Franklin County’s total cost for VEBA and cashouts was \$2.7 million in 2023—much more than the total cost for medical insurance (\$1.9 million).

## Interjurisdictional Arrangements

Washington counties have broad authority to partner with other jurisdictions to jointly deliver services. Given the close proximity of Franklin and Benton County’s population centers, this type of partnership arrangement has become well accepted in the Tri-Cities region. In certain instances, regional service delivery and cost-sharing is required by statute: for transportation, courts, juvenile justice, emergency dispatch, and some others. But other interjurisdictional arrangements are optional—subject to Franklin County’s discretion.

Some of these interjurisdictional programs are included in the section of Franklin County’s budget entitled “Aids to Other Governments”. Two examples of the larger and longer-standing programs are outlined below.

### *Benton-Franklin Counties Juvenile Justice Center*

- A bi-county agency supported with funding from both counties, along with grant-funded reimbursements.
- Includes an Adult Drug Court Program
- County funding responsibility is allocated 72% Benton/ 28% Franklin
- Administrative fee: 7.5%



## Benton and Franklin Counties Superior Court

- Bi-county judicial district with bi-county employees
- Based in Kennewick at the Benton County Justice Center
- Courtrooms at four locations in Kennewick, Pasco, and Prosser
- Funded through pro-rata shares paid by counties, based on caseload, plus grant-funded services.
- Funding allocation is 71% Benton/ 29% Franklin
- Administrative fee: 5%

The current cost allocations for these interjurisdictional programs approximate the population split:

	Population	Cost Share
Benton County	217,203	68.5%
Franklin County	<u>99,782</u>	<u>31.5%</u>
Totals	316,985	100%

Over the years, given Franklin County’s dynamic population growth, demand for services has been changing. As Franklin County grows and emerges as a “21<sup>st</sup> Century County”, should it be running its own services rather than joining Benton County or nearby cities? Can some of these services currently operated under interjurisdictional arrangements be provided more cost-effectively at the local level rather than regionally? What is the best structure to deliver quality services while minimizing administrative overhead?

It’s good policy to review each of these programs/services from time to time—starting with the largest, oldest and most costly arrangements. Working with the program managers, the goal is to systematically audit (evaluate) each of these interjurisdictional arrangements to find out if it’s still working well and determine whether changes need to be made.



## 4. Review of Financial Plans, Policies and Procedures

### Franklin County’s Current Financial Policies

Members of the Strategic Growth Committee and other Franklin County leaders have identified the need for more robust financial policies to assure stable, long-term financial conditions. Franklin County has far fewer policies than peer counties and this jeopardizes the County’s financial wellbeing.

While Franklin County has numerous financial *procedures* in place (one example is the 2024 Franklin County Budget Presentation User Guide), there is an absence of *formally adopted policies*—only two policies have been identified—one for General Fund reserves and fund balances to assure the County maintains adequate financial reserves, no less than 7% of the current year’s operating budget. The other current policy is for investment of financial revenues. Three additional documents may serve as defacto County financial policies:

- Franklin County Treasurer’s Investment Policy (Approved by the County Finance Committee—October 2, 2005)
- Economic Development Plan (May 2016)
- County Comprehensive Plan (2021)

### Best Practices

Two professional organizations provide in-depth guidance on best practices for municipal financial policies in Washington and nationwide: Government Finance Officers Association (GFOA) – a national professional organization; and the Municipal Research and Services Center of Washington (mrsc.org).

Their guidance on best practices confirms the multiple purposes of financial policies to benefit county governments:

- Institutionalize good financial management practices
- Clarify strategic intent
- Define limits of actions staff may take
- Support good bond ratings
- Promote long-term, strategic thinking
- Manage risks
- Comply with statutory requirements and best practices

The overarching goal is to take steps to assure a county’s financial wellbeing for years to come.

What types of financial policies should Franklin County consider? The following categories are suggested by GFOA for prudent financial management.



## Financial Policies – Categories

General Fund reserves	Procurement
Reserves for other funds	Long-term financial planning
Grants	Structurally balanced budget
Debt management	Capital planning and budgeting
Investment; management of bond proceeds	Revenues
Economic development	Expenditures
Accounting and financial reporting	Operating budget; public engagement and transparency
Risk management and internal controls	

Among the most important policies is a policy covering General Fund reserves – or “fund balance”. As a rule of thumb, GFOA recommends maintaining a minimum General Fund reserve of unrestricted, uncommitted dollars equal to two months of regular General Fund revenues or expenditures— whichever is more predictable. Franklin County’s policy calls for retaining 7% of the operating budget; the GFOA standard is around 16.6%. Further, the best practice is to retain this minimum amount in reserve at all times. Franklin County’s practice has been to draw down its reserves twice per year while awaiting infusion of new tax revenues.

The following criteria are recommended for setting the right level of reserve:

- Predictability of revenues and volatility of expenditures
- Perceived exposure to significant economic or financial risks or one-time outlays
- Potential drain on General Fund from other funds
- Impact on bond ratings
- Commitments and assignments
- Having matching funds available to meet grant requirements or opportunities

The accompanying table compares the County’s current policy with the GFOA standard and the actual experience for 2023.

### Franklin County’s General Fund Reserve vs. Standards

	% of General Fund Budget	Amount
<b>County Policy</b>	7%	\$3.2 million
<b>GFOA Standard</b>	16.6%	\$7.5 million
<b>Actual (2023)</b>	4.4%-6.6%	\$2-3 million



GFOA and MRSC guidance on best practices covers all or most of the categories that Franklin County might consider. Topics include:

- Budgeting
- Capital
- Cash handling
- Cost allocation
- Code of ethics
- Debt management
- Employee benefits
- Financial management
- Interfund loans/transfers
- Investment
- Post-issuance of bonds
- Purchasing

MRSC offers a Financial Policies Toolkit in partnership with the State Auditor’s Office Center for Government Innovation. Examples of financial policies and procedures from other Washington counties are available for:

- Asset management
- Cost allocation
- Credit card use
- Debt management
- Fund balance and reserves
- Investments
- Travel and expense reimbursement

Best practices financial guidance is also provided on these topics:

- Accounting, financial reporting, audit
- Budgeting (operating and capital)
- Capital improvements
- Procurement
- Revenues and expenditures
- Risk management

## Comparisons with Peer Counties

At the request of the Strategic Growth Committee, Franklin County’s financial policies were compared with four “peer counties”—Benton, Chelan, Grant, and Yakima. In comparison with these peer counties, Franklin County has far fewer financial policies (see table below).



## Comparing Financial Policies with Peer Counties

Policy Name	Benton	Chelan	Grant	Yakima	Franklin
General Fund Reserves	X	X		X	X
Reserves for Other funds	X	X	X	X	
Grants		X	X	X	
Debt Management	X	X	X	X	
Investment; Management of Bond Proceeds	X		X	X	X
Economic Development	X				*
Accounting and Financial Reporting	X	X	X		
Risk Management and Internal Controls					
Procurement	X	X	X	X	
Long-Term Financial Planning	X		X		
Structurally Balanced Budget					
Capital Planning and Budgeting	X	X	X		
Revenues	X	X	X		
Expenditures	X	X	X		
Operating Budget; Public Engagement and Transparency			X		

\*Economic Development Plan

Robust financial policies are tools that empower County managers to be good stewards of the County's resources. The policies offer assurance for continuity and stability through changes in economic conditions, as well as transitions in successive generations of administration and elected leadership. Financial policies are the foundation for a long-term financial vision for any municipality.



## 5. Strategies for Financial Sustainability

To assure Franklin County's continued financial sustainability, a portfolio of 18 strategies was developed in consultation with the Strategic Growth Committee. The proposed strategies are organized in four groups:

- New Revenue Sources: *Strategies #1-6*
- Increase Current Revenue Sources: *Strategies #7-10*
- Cost-saving Efficiencies: *Strategies #11-15*
- Financial Management: *Strategies #16-18*

The first two categories include strategies to increase Franklin County's revenues, and are more important than other strategies. But all four categories and all 18 strategies can contribute to financial sustainability.

### New Revenue Sources

#### Strategy 1—Sale/Lease of County-Owned Real Estate

Another way to raise funds to help cover Franklin County's budget shortfalls is through the sale (or lease) of County-owned real property. Two specific parcels are cited by the Strategic Growth Committee as candidates to consider for sale.

*HAPO Center:* The public events facility is underused, creates an annual operating deficit of \$300,000 or more, and faces the need for costly upgrades. Valued at around \$50 million, some County leaders believe selling the HAPO Center (27.6 acres) could produce a significant infusion of capital. The annual operating deficits for the HAPO Center, currently around \$300,000 per year, would also be eliminated from the County budget, freeing up dollars to support County services.

*Surrounding Lands:* The County also owns around 43 acres of vacant and underutilized land in four parcels near the HAPO Center. Some of this land is currently operated by the City of Pasco as softball fields. Valued at \$30 million, sale of this property could also produce significant cash.

*Other Opportunities* for sales of County-owned real estate are being explored. The County Assessor's Office has identified 13 more parcels at scattered locations that could be made available for sale. These include vacant lots as well as underused or outdated buildings.

It is estimated property sales in the vicinity of Road 68 and the HAPO Center could yield up to \$783,000 per acre if converted for commercial/mixed use development.

Proceeds from the sale of County-owned real estate could be used to establish adequate General Fund reserves. The County's current policy calls for maintaining reserves equal to 7% of the operating budget (\$3.2 million) while national best practices for counties set that reserve target at 16.6% (\$7.5 million). Neither target is currently within reach for Franklin County.



Other options would earmark these one-time sales proceeds for other capital improvements and/or other one-time outlays. Allocating the funds from real estate sales to cover ongoing budget deficits is less preferable, and should only be considered as a stopgap measure.

Proceeds from the lease of County-owned real estate would be used differently. Lease revenues wouldn't be available immediately to add to the County's General Fund reserves. However, these lease revenues could be useful to supplement annual operating funds, or pledged to repay debt on capital improvements.

It should be noted that sale or lease of the HAPO Center and/or surrounding lands would require consultation with the City of Pasco and other preparatory steps that would take time and not produce any early revenues. Steps would include completing a master plan to outline this area's future, along with necessary amendments to the comprehensive plan and rezoning.

### Strategy 2—Property Tax “Lid Lift”

Property taxes are a very important and very subtle revenue source for counties. Each year, Washington counties and other taxing districts may levy up to 101% of their previous year's tax. As a county's taxable base grows through new development and increased property values, the rate a county is allowed to levy tends to slide downward from the maximum statutory rate. Between 2010 and 2023, the total assessed value of Franklin County properties rose from around \$4 billion to \$14 billion. That increase in valuation drives down the effective rate for local property taxes.

A levy lid lift is the only way for a county to exceed the 101% levy limit, and must be authorized by voters. Franklin County's rate (2024) is \$0.75 per \$1,000, down from \$1.44 in 2010 and \$1.26 just five years ago. The rate is projected to continue falling as property values rise and more new construction is added to the tax rolls.

Franklin County Property Tax Rate (2020-2024)

Year	Levy rates *
2018	1.22
2019	1.26
2020	1.22
2021	1.10
2022	.90
2023	.85
2024	.75

\* Per \$1,000 in Assessed Value

Under RCW 84.55.050, a county can request a single year or multi-year lid lift up to 6 years. The lid lift is temporary unless the ballot measure specifically states the resulting levy will be used permanently and



for future levy limit calculations. To initiate a lid lift, seeking voter approval, Franklin County must consider two questions:

- How much is needed?
- How much will voters support?

The accompanying table provides examples that show potential budget increases resulting from lid lifts of \$0.25 to \$0.50 per \$1,000, along with the effect on the annual property tax bill for the average Franklin County residence.

### Effect of Property Tax Lid Lift

Lid Lift	County Budget Increase	Annual Impact *
.25 lift	\$4,250,000.00	\$105
.30 lift	\$5,100,000.00	\$125
.35 lift	\$5,950,000.00	\$147
.50 lift	\$8,500,000.00	\$210

\*Effect on average value home in Franklin County

How would proceeds from a lid lift be allocated? The obvious answer is to support public safety. The portfolio of public safety services, housed in several departments, currently accounts for half of all County employees and consumes just over half of the County’s annual General Fund budget—and that proportion is steadily increasing (see table). The total cost for Public Safety in 2022 is \$23.1 million—almost twice the County’s total property tax assessment of \$12.1 million (excluding roads).

	Workforce (FTE)	Budget
<b>Public Defense</b>	4.0	\$1.5 million
<b>District Court</b>	6.5	.85
<b>Clerk of Courts</b>	15.0	1.30
<b>Probation</b>	3.5	.30
<b>Prosecuting Attorney</b>	22.0	2.72
<b>Sheriff</b>	32.0	6.93
<b>Corrections</b>	59.5	9.55
<b>Other</b>	5.0	N/A
	147.5	\$23.18 million
<b>% of Total</b>	50%	52%

An appealing feature of using the property tax lid lift to support public safety is its inherent stability. While the sales tax has become a larger revenue source (\$19.7 million in 2022 versus \$14.6 million in property tax), it is also highly volatile moving with the ups and downs of the economy.



## Strategy 3—911 Sales Tax Option

RCW 82.14B.030 authorizes counties to impose an excise tax of up to \$0.70 per month for every landline, mobile phone and VoIP service line to support 911 emergency communications. This tax does not require voter approval. Franklin County and all Washington counties currently collect this excise tax.

Another statute, RCW 82.14.820, allows counties to enact a sales tax up to 0.2% for emergency communications (enhanced 911 systems and facilities). Use of revenues is restricted to purchasing, constructing, operating and maintaining emergency communications systems and facilities. Counties are also authorized to develop joint ventures.

The 911 sales tax option under RCW 82.17.820 requires voter approval. A measure may be submitted on any special, primary or general election ballot. According to the Municipal Research and Services Center, these measures tend to be successful with voters.

To date, Franklin County is not using this revenue source authorized by statute, and reportedly the County’s 911 system has unmet capital needs for system updates. If Franklin County had proposed the 911 sales tax option and voters approved it at the maximum rate, this tax would have generated an estimated \$5.4 million in 2024.

## Strategy 4—Public Facilities Sales Tax

RCW 82.14. 370 authorizes rural counties to impose a sales and use tax of .09% to finance facilities serving economic development purposes or personnel in economic development offices. The tax expires in 2053. “Rural county” is defined as having fewer than 100 persons per square mile, or a county smaller than 225 square miles. A county must consult with cities, port districts, and development organizations and report annually to the State Auditor.

Franklin County enacted this tax in 1999 and used the funds to pay debt service for the HAPO Center. With that debt retired, the County currently plans to redirect the proceeds from this sales tax to pay for energy saving improvements at the HAPO Center that fulfill requirements of the State’s Clean Energy Transformation Act (CETA).

## Strategy 5—Government Relations Program

Government relations at the state and federal levels is vitally important to Franklin County’s financial future. The County needs to establish and sustain a presence in state and federal policymaking arenas, and take a proactive stance in matters that impact Franklin County’s revenues and operating costs.

What’s needed now is to establish a robust government relations program that includes retaining the services of professional lobbyists in Olympia and Washington DC, coordinated and supported by County Public Affairs staff. To be effective, hands-on involvement of Franklin County’s elected leaders is also essential.



## State Relations

This is the most immediate need. State government dramatically impacts Franklin County’s budget, every year—even every day. Franklin County needs to be proactive if it expects to influence state policy making.

Aspects of a best practices government relations program at the state level would include:

- Legislative strategy
- Regulatory affairs/rulemaking
- Securing state funds/grantsmanship
- Advocacy
- Lobbying and relationship building
- Communications

## Federal Relations

Federal policy is becoming increasingly important given Franklin County’s continued growth and prominence, and its utter reliance on federal policy – for agriculture, Hanford, Columbia and Snake River dams, etc. A best practices federal affairs program would include these functions:

- Monitor/support/oppose legislation
- Congressional relationships and advocacy
- Securing federal funds
- Coalition building
- Communications support

## Public Affairs

Some in-house capacity (County staff) is needed, too. Key aspects include:

- Strategic communications
- Media relations/media training
- Policymaker briefings
- Crisis communication

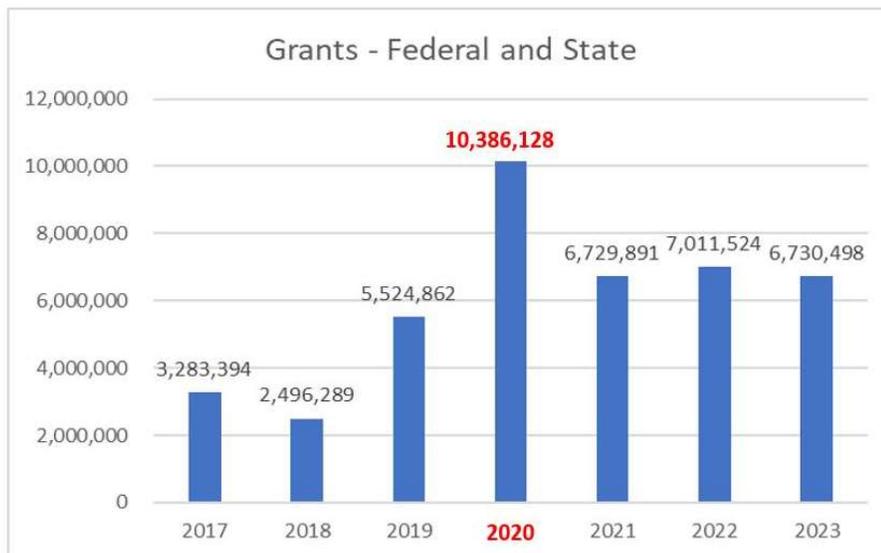
Franklin County should demand results from this important investment. Lobbying calls for fact-based advocacy on the County’s behalf:

- Communicating strategically to shape opinion and deliver results
- Managing issues that involve Franklin County’s state and federal “partners”
- Making effective use of the news media to convey Franklin County’s message
- Forging strategic relationships with state/federal policymakers
- Delivering budget and policy successes
- Bringing home millions of dollars (recapturing our local taxpayers’ dollars!)
- Keeping Franklin County’s policymakers up-to-date on emerging state/federal issues and legislation
- Making cost-effective use of skilled and seasoned lobbyists, who typically have worked in federal and state governments and know the nuts and bolts and “sausage making” of the legislative decision-making process.



## Strategy 6—State/Federal Grants Coordinator

In recent years, Franklin County has become increasingly reliant on state and federal grants. Grant income has always fluctuated, but in the pre-pandemic era it hovered around \$3 million annually. As new funding sources were created during the pandemic years, grant dollars rose sharply, peaking at \$10.4 million in 2020. Some of these dollars were one-time funding, but grant revenues still totaled about \$6.7 million in 2023 for Franklin County. Falling back to pre-pandemic levels would have serious consequences for Franklin County’s budget. At pre-pandemic levels in grant dollars the County’s projected annual shortfall would be \$7 million. By maintaining the current level of grants, the annual shortfall would be closer to \$3 million.



Some County departments have been adept at applying for, winning and managing grants. There’s an opportunity for Franklin County to be even more successful in garnering grant funding by better coordinating a countywide effort. Hiring a grants coordinator would be an important first step in building an effective structure for grantsmanship and grants administration.

The goal of a well-coordinated grants program is to provide services (or a level of service) the County would not otherwise be able to deliver. But its not about the money alone—there are other benefits.

Grantsmanship is an entrepreneurial function calling for a proactive stance, advance planning, and an ongoing commitment. This is an everyday, year-round activity that requires a high level of professional skills. Distinct functions in grants coordination include:

- Research
- Proposal writing, budgeting, presentations
- Grants administration
- Monitoring, reporting, documentation
- Training

Writing well developed, successful proposals requires persuasive and compelling storytelling. Equally important is grants administration. Most grants have strings attached; funders want to be sure their



investments are serving desired objectives. An added advantage of a coordinated grants program is building closer relations with the County’s funding partners, and ultimately a familiarity that enables the County to call on them repeatedly as advisors, allies and advocates.

Another related emerging opportunity is low-interest loans from federal and state agencies. By offering below market rates and flexible repayment terms, these loans provide significant cost savings—similar to grants.

## Increase Current Revenue Sources

### Strategy 7—Enact Annual 1% Property Tax Increases

The property tax levy lid—or “101% limit” restricts counties’ levy amounts to 101% of the prior year (RCW 84.55.010). Larger increases require voter approval for a lid lift or the use of “banked capacity”—unused increases from previous budget years.

Exceptions to the 101% limit include:

- New construction and property improvements (which have been very significant in Franklin County in recent years)
- Changes in state-assessed utility valuations
- Construction of certain renewable energy facilities
- Increases in value with a tax increment financing area

The 101% limit places a limitation on a county’s *total* levy amount, but does not limit the amount of property taxes due from individual property owners—so some property owners can see their property taxes increase by more than 1% (or decrease).

Franklin County has not availed itself every year of the additional 1%. That will become vitally important in the coming years as the County struggles to build General Fund reserves and balance its budget.

### Strategy 8—Appraise 100% of New Construction

A role for the County Assessor is to determine the value of all taxable property, revaluing each parcel annually. Every property—residential, commercial, agricultural—must be physically inspected at least once every six years. The Assessor also keeps track of ownership and records every time a parcel is sold or divided.

The Franklin County Assessor’s Office has been very busy. In just 10 years, the number of parcels countywide has jumped from fewer than 30,000 to more than 40,000. One result of this growth is the Assessor’s Office has not been able to complete appraisals for all new construction in recent years.

These appraisals must be assessed within 12 months, or the County and other taxing jurisdictions forever lose consequent tax revenues. The estimated total loss for 2022 was \$13,000 for Franklin County and \$136,000 over the next 10 years.



For 2023, the effect of missed new construction was around \$59,000 for Franklin County and \$617,000 over 10 years. The shortage for all taxing jurisdictions over 10 years would be \$3,581,000.

The solution is to hire more appraisers. That’s easier said than done. Appraisers have been spotlighted as one of Franklin County’s “at risk” positions—experiencing turnover and difficult to replace. For the 2024 budget, the County Board has approved one additional appraiser position to help fill the gap, along with a GIS specialist (a replacement of a current position). That’s a move in the right direction, but won’t fully remedy the current situation. The Assessor’s Office estimates they will need additional office space, and at minimum another full-time appraiser by 2026—earlier if proposed legislation on personal property tax is enacted.

## Strategy 9—Countywide Schedule of Fees & Charges

Many County departments adopt fees and charges under RCW 36.18 to help cover the cost of services. Some of the fees can be retained by counties, while others must be remitted to the state or shared. Examples of fees authorized by statute include: Auditor’s Office Fees; Election Candidate Filing Fees and Reimbursements; Coroner/Medical Examiner Fees and Reimbursements; District Court Fines, Fees and Reimbursements; Marriage License Fees; Prosecuting Attorney Reimbursements; Sheriff and Police Fees; Superior Court/County Clerk Fees and Reimbursements; and Treasurer’s Fees. It’s quite a list!

Some fees are set by statute at a specific dollar amount. Others are intended to cover a fixed percentage of cost recovery/reimbursement. It is likely Franklin County’s departments already have a system in place to collect all or most of these departmental fees. In addition, it may be desirable to establish a countywide fee schedule that enables the County to monitor the fees and move to adopt increases whenever authorized, to better account for inflationary increases in service costs. Some jurisdictions link automatic fee increases to the Consumer Price Index (CPI). Other cities/counties adopt policies to recover 100% of service costs through fees and make adjustments accordingly.

In instances where the fees allowed by statute are no longer enough to cover the cost of providing services, the County may be able to employ its government relations program to highlight those challenges with the Washington Legislature and request their action.

## Strategy 10—Franchise Fees and Impact Fees

### *Franchise Fees*

Counties are authorized to adopt non-exclusive franchise agreements or licenses for up to 50 years and collect fees, as described in RCW 36.55. Franchise agreements allow private and public utilities to install and maintain equipment within the county rights-of-way. Franchise agreements typically run 10 or more years for utility services such as water and sewer lines, gas pipes, telephone and electric wires and street lighting. The statute does not specify what franchise fees may be imposed, but case law suggests the fee may be assessed (at a minimum) to recoup associated costs. Across the state, franchise fees typically range from \$500 to \$7,500. Some counties assess fees according to the linear feet or right-of-way affected. King County assesses franchise fees that range into hundreds of thousands of dollars and these have withstood court challenges by utilities.



Cable television franchise fees are covered under federal law. Those fees may be levied at a rate up to 5% of gross revenues yearly from the franchise area. Exceptions are made to subtract certain in-kind services provided by the franchisee. Revenues derived from cable TV franchise fees are unrestricted and may be used for any purpose.

Franchise fees do not require voter approval. Nevertheless, it appears that Franklin County doesn't currently collect franchise fees from utilities using the County rights-of-way.

### *Impact Fees*

Impact fees are charges to developers to help offset the cost of capital facilities that support development. RCW 82.02.050-.116 authorizes impact fees for counties planning under the Growth Management Act. RCW 39.92 authorizes impact fees for other counties. Impact fee revenues must be used for streets, public parks, school facilities, and fire protection facilities. The fees may be adopted by the County Board and do not require voter approval. Impact fees may only be charged for system improvements included in the County's capital facilities plan that meet the following criteria:

- Designed to serve the community at large
- Reasonably related to the new development
- Benefit the new development

Impact fees must be spent within 10 years of receipt. Like franchise fees, it appears that Franklin County is not currently collecting impact fees.

## Cost Saving Efficiencies

### Strategy 11—Strategic Salary Increases for Key Positions

Members of the Strategic Growth Committee expressed concern about Franklin County's ability to recruit and retain employees to fill essential jobs in a timely manner. Across County government there have been reports of unusually high turnover and difficulty filling some key positions. Committee members identified a number of "at-risk" positions currently experiencing either unprecedented turnover and/or extreme difficulty in recruiting and retaining replacements. Many, but not all, of these positions are in public safety and courts.

The consultant team compiled data on wages for 13 key positions, and researched current wages for similar positions in four counties located within the same labor market and selected by the Strategic Growth Committee: Benton, Chelan, Grant and Yakima Counties. These four counties draw employees from the same labor market area that Franklin County depends on. However, two of these counties have much larger populations. Benton County's population is 206,900 and Yakima County's is 256,700. Due to their larger size, they also have significantly greater assessed value and retail sales that generate county revenues (see table below). Chelan and Grant Counties are more comparable in size, with 79,000 and 99,000 residents respectively.

In addition to population differences, there are significant disparities in factors that dictate each county's "ability to pay"—assessed value that drives county property tax revenues, and retail sales that produce sales tax revenues. Total assessed value in Franklin County is only 40% to 85% of assessed value of the



other four counties. Franklin County’s retail sales also lag behind: 38% to 80% of the other counties and significantly less than other counties on a per capita basis.

Population growth, on the other hand, creates increased demand for County services. At 21.3%, Franklin County’s growth over the past 10 years (2010 to 2020 Census) significantly exceeds all other counties, which range from 5.4% to 16.6% growth over the same period. Another factor driving demand for county services is poverty. Franklin County is well above the statewide average for persons in poverty.

Despite the disparities in ability to pay, the analysis determined that Franklin County offers comparable wages for most of the positions studied. Employee benefits are generally comparable, too. The salary exceptions are in several departments, notably the Prosecuting Attorney and Sheriff’s Offices (see table).

For these departments/positions, Franklin County will need to increase wages—or continue experiencing high turnover and difficult recruitment. Non-represented employees are more likely affected, without automatic increases built into their employment agreements. With no formal method to adjust salaries, decisions are made case-by-case and positions-by-position, so gaps are inevitable.

### Salary Comparisons for At-Risk Positions

	Benton	Chelan	Grant	Yakima
<b>Assessor’s Office</b>				
GIS/Cartographer	<b>Much higher</b>	<b>Much lower</b>	<b>Much lower</b>	<b>Much lower</b>
<b>Auditor’s Office</b>				
Facilities Director	<b>Much higher</b>	Par	N/A	<b>Much higher</b>
<b>Public Defender</b>				
Attorneys	<b>Much higher</b>	N/A	<b>Much higher</b>	<b>Much lower</b>
<b>Prosecuting Attorney</b>				
Chief Deputies	<b>Much higher</b>	Par/Lower	<b>Much higher</b>	<b>Much higher</b>
Attorneys	<b>Much higher</b>	Par	<b>Much higher</b>	<b>Much higher</b>
<b>Public Works</b>				
Technicians	Par	N/A	Higher	<b>Much higher</b>
<b>Sheriff’s Office</b>				
Corrections Deputies	Higher	Lower	<b>Much higher</b>	Higher
Corrections Maintenance	<b>Much higher</b>	<b>Much higher</b>	<b>Much higher</b>	<b>Much higher</b>

### Strategy 12—Employee Retention/Recruitment/Succession Plans

Members of the Strategic Growth Committee have expressed concerns about Franklin County’s ability to recruit and retain employees to fill important and essential jobs. Across County government there are reports of high turnover and difficulty filling positions. Committee members identified “at-risk” positions currently experiencing unprecedented turnover and/or extreme difficulty in recruiting and retaining replacements.



When salaries for these “at-risk” were compared with similar positions in four peer counties (Benton, Chelan, Grant and Yakima) it was determined that Franklin County pays comparable salaries for most positions.

In the instances where Franklin County’s wages aren’t competitive, the solution seems obvious: increase salaries where needed to attract and retain personnel in key positions. However, in those situations where wages are already comparable with peers, alternate strategies are warranted. Employee turnover is costly and disruptive.

The County’s Human Resources program is planning an extended study that will look in-depth at positions experiencing turnover. Countywide positions for grades 10 through 19 will be reviewed for parity in education/experience requirements. Future studies may look at grade ranges, job descriptions, extended step systems for critical positions (such as attorneys), and longevity pay.

Departments should also have in place employee retention/recruitment/succession plans. These plans—specific to each department— would identify critical positions anticipated to be especially vulnerable to turnover. For these key positions, a department’s plan would outline steps to retain experienced employees as long as possible. In addition, the departments’ plans should include recruitment strategies, including succession plans for grooming staff members for advancement through training, mentoring, and progressively challenging assignments.

## Strategy 13—A Culture of Continuous Improvement

The best ideas for improving the operations of Franklin County government—and saving money—will come from within the individual departments and programs. That’s where to find the people who possess the greatest in-depth knowledge about functions, services, client, and costs.

Many other organizations have found this in-house expertise can be harnessed to build a *culture of continuous improvement* that fosters operational excellence and yields cost savings. The key is empowering employees and instilling a strong sense of teamwork, where everyone contributes to building a framework for positive change.

An organization seeking continuous improvement nurtures a culture change that gives people permission to question how we do business and look for a better way. These organizations invest in technology and tools, but also focus on people and relationships, encouraging creativity and innovation.

A number of approaches to continuous improvement have proven to be effective:

- Breaking down work processes into smaller tasks; tracking progress through each stage to pinpoint inefficiencies and bottlenecks.
- Identifying and eliminating defects in processes and streamlining wherever possible.
- Monitoring, measuring, benchmarking performance.
- Frankly assessing and tackling problems—even small ones.
- Meeting and exceeding customer expectations.

Some employers link continuous improvement programs to employee recognition, advancement and bonuses.



For Franklin County, continuous improvement and increased efficiency may hinge on timely investments in technology and automation. Some observers say the County is lagging in these investments that could improve productivity.

The overarching goal is for County staff to be continuously on the lookout for ways to improve services and hold down costs—and act on them.

## Strategy 14—Audit Interjurisdictional Arrangements

Washington counties have broad authority to partner with other jurisdictions to jointly deliver services. Given the close proximity of Franklin and Benton County’s population centers, this type of partnership arrangement has become well accepted in the Tri-Cities region. In certain instances, regional service delivery and cost-sharing is required by statute: for transportation, courts, juvenile justice, emergency dispatch, and some others. But other interjurisdictional arrangements are optional—subject to Franklin County’s discretion.

Over the years, given Franklin County’s dynamic population growth, demand for services has been changing. As Franklin County grows and emerges as a “21<sup>st</sup> Century County”, should it be running its own services rather than joining Benton County or nearby cities? Can some of these services currently operated under interjurisdictional arrangements be provided more cost-effectively at the local level rather than regionally? What is the best structure to deliver quality services while minimizing administrative overhead?

It’s good policy to review each of these programs/services from time to time—starting with the largest, oldest and most costly arrangements. Working with the program managers, the goal is to systematically audit (evaluate) each of these interjurisdictional arrangements to find out if it’s still working well and determine whether changes need to be made.

## Strategy 15—Control HRA VEBA Costs

As an employee benefit, Franklin County makes tax-free contributions to HRA (Health Reimbursement Arrangements) VEBA (Voluntary Employees’ Beneficiary Association) accounts on behalf of some employees. Both represented and non-represented employees are eligible.

Employees who waive medical coverage are offered an in-lieu contribution to an HRA VEBA health reimbursement savings plan or issued a taxable cash payment. Most eligible employees opt for tax-free HRA VEBA contributions. The current maximum is up to \$1,600 per month or \$19,200 per year.

Employees can use these tax-free funds to reimburse out-of-pocket healthcare costs and premiums for themselves and their dependents. Only employers can contribute to HRA VEBA accounts—different from Flexible Spending Accounts (FSAs). Money can be left in HRA VEBA accounts and rolled over year-to-year while earning interest.

The HRA VEBA program has become very popular with employees and Franklin County’s VEBA costs have grown much faster than County revenues. Over the most recent five years, VEBA costs rose from \$1.325 million to \$2.495 million—an 88% increase, or an average of 17.7% per year. That’s more than three



times the rate of increase in County revenues over the same period. Franklin County’s VEBA costs are rising faster than medical insurance rates, too—despite steep hikes in those costs.

### Franklin County VEBA Costs

Year	2019	2020	2021	2022	2023	2024
<b>Total</b>	\$1.325 M	\$1.272 M	\$1.779 M	\$1.877 M	\$2.427 M	\$2.495 M

The VEBA benefit is not required for Washington counties. It is optional and Franklin County can decide whether it offers this benefit, and how much the County will contribute.

Additional drawbacks of Franklin County’s VEBA program:

- It likely drives up the per-employee cost of medical insurance, as more healthy employees opt out of coverage.
- The benefit isn’t available to every employee. Those who benefit from the VEBA contributions must be covered by another medical insurance policy—most often through a spouse or veteran’s benefits and/or medicare/medigap coverage. Thus, the VEBA benefit creates inherent inequalities.
- The County’s VEBA program may be overly generous. 2024 actuarial studies suggest employees who retire at age 65 will need \$91,000 to cover medical premiums during retirement. A number Franklin County employees have already accumulated VEBA accounts worth six figures.
- Franklin County’s VEBA contributions are well above the levels offered to employees by peer counties in eastern Washington.

Franklin County is finding its VEBA program increasingly unaffordable. Since VEBA contributions are optional for the County, a number of options are available:

- Set a lower per-employee maximum limit on VEBA contributions.
- Benchmark Franklin County’s contributions to the prevailing level in peer counties.
- Phase-down the County’s VEBA contributions over time.
- Phase-out the HRA VEBA benefit entirely.

It should be noted that changes in the HRA VEBA benefits may be subject to collective bargaining for some represented employees.

## Financial Management

### Strategy 16—Adopting Financial Policies

Members of the Strategic Growth Committee and other Franklin County leaders have identified the need for more robust financial policies to assure stable, long-term financial conditions. Franklin County has far fewer policies than peer counties and this jeopardizes the County’s financial wellbeing.

While Franklin County has numerous financial *procedures* in place, there is an absence of *formally adopted policies*—only two policies have been identified—one for General Fund reserves and fund



balances to assure the County maintains adequate financial reserves, no less than 7% of the current year’s operating budget. The other current policy is for investment of financial revenues.

Two professional organizations provide substantial guidance on best practices for municipal financial policies in Washington and nationwide: Government Finance Officers Association (GFOA) – a national professional organization; and the Municipal Research and Services Center of Washington (mrsc.org).

The following policy categories are suggested by GFOA for prudent financial management (see table).

<b>Financial Policies – Categories</b>	
General Fund reserves	Procurement
Reserves for other funds	Long-term financial planning
Grants	Structurally balanced budget
Debt management	Capital planning and budgeting
Investment; management of bond proceeds	Revenues
Economic development	Expenditures
Accounting and financial reporting	Operating budget; public engagement and transparency
Risk management and internal controls	

Among the most important policies is a policy covering General Fund reserves – or “fund balance”. As a rule of thumb, GFOA recommends maintaining a minimum General Fund reserve of unrestricted, uncommitted dollars equal to two months of regular General Fund revenues or expenditures— whichever is more predictable. Franklin County’s policy calls for retaining 7% of the operating budget; the GFOA standard is around 16.6%. Further, the best practice is to retain this amount in reserve at all times. Franklin County’s practice has been to draw down its reserves twice per year while awaiting infusion of new tax revenues.

GFOA and MRSC guidance on best practices covers all or most of the categories that Franklin County might consider. MRSC offers a Financial Policies Toolkit in partnership with the State Auditor’s Office Center for Government Innovation. Examples of financial policies and procedures from other Washington counties are also available from MRSC.

Robust financial policies are tools that empower County managers to be good stewards of the County’s resources. The policies offer assurance for continuity and stability through changes in economic conditions, as well as transitions in successive generations of administration and elected leadership. Financial policies are the foundation for a long-term financial vision for any municipality. The overarching goal is to take steps to assure the County’s financial wellbeing for years to come.

The process to develop new financial policies for Franklin County could involve these steps:

1. Decide Franklin County’s strategic objectives
2. Establish priorities (which policies come first?)
3. Assign a team of the County’s subject area experts to explore best practices and evaluate models from other counties; then draft the top priority policies (with outside expertise as needed)
4. Review of draft policies by the Strategic Growth Committee



5. Present proposed policies to County Board for their consideration (and adoption)

A few points to keep in mind:

- The process to develop financial policies can be gradual. Franklin County can begin at a very high level, laying out the approach and goals for each policy—adding details and “teeth” later. Independent financial professionals are available as needed to coordinate and expedite policy development.
- Priority topics for early attention might include reserves, spending authority, debt management, long-term financial planning, balanced budget, revenues and expenditures, capital planning and budgeting, asset management and financial reporting.
- Financial policies are not set in stone. These are flexible guidelines that change over time, revised and updated to meet shifting needs and circumstances.

## Strategy 17—Quarterly Budget Review/Adjustments

Franklin County already has a process in place to review budget status on a monthly basis. For the Current Expense Fund, a report is prepared that compares:

- Budget versus actual revenues
- Budget versus actual expenditures
- Actual revenues and expenditures versus prior years

This informal monthly review is often shared with the County Board chair, but is presented to the Board of Commissioners only if there are exceptional circumstances.

To supplement this current process, a more formal quarterly review is needed for the future. The quarterly review would provide an updated budget status for the Current Expense Fund overall, as well as a snapshot of each department’s revenues and expenditures at the end of each quarter. Results of this quarterly review would be presented to the Board of Commissioners, with any necessary budget adjustments recommended for their consideration at that time.

With the County’s General Fund reserves projected to be precariously low in the future, the quarterly review would help keep policymakers up to date and ensure Franklin County remains poised to make timely adjustments to avoid financial crises.

## Strategy 18—Biennial Budgeting

RCW 36.40.250 authorizes counties to adopt a biennial budget covering a two-year period, instead of annual budgets. Switching to a biennial budget requires passing an enabling resolution or ordinance. The biennial budget must take effect January 1. The budget switchover isn’t necessarily permanent. Counties can revert to an annual budget at the end of any biennium.

The primary advantage of biennial budgeting is reducing the amount of staff time and resources spent every year in the budget process. Two-year budgeting also prompts counties to think strategically, looking ahead over multiple years. Potential disadvantages are the extra time required for preparing a two-year budget for the first time, and the need for more budget adjustments as conditions change over the two-year period.



Neighboring Benton County operates under a biennial budget. Other Washington counties, large and small, that have opted for a biennial budget include Cowlitz, Jefferson, King, Pierce, San Juan, Thurston and Whatcom Counties. These counties have determined the advantages of biennial budgeting outweigh potential drawbacks. The eight counties also offer a range of possible models to inform Franklin County’s switch to a biennial budget.

The transition to a biennial budget takes advanced preparation. Franklin County is intending to install new financial software in 2024; switching to a biennial budget isn’t likely before 2025 or 2026.



## 6. Franklin County’s Sustainable Financial Future

### The Road Ahead Requires Leadership

Even with a robust portfolio of 18 strategies, there are no quick fixes. Nearly all of the revenue strategies will take awhile to consider and enact, then a longer time before they contribute significantly to Franklin County’s coffers.

Non-revenue producing management strategies will also take some time to implement— for example, to develop and adopt financial policies and procedures, or switch to a biennial budget. Good news: Franklin County administration is already gaining some momentum. Two strategies are already underway and partially implemented:

# 5. Government relations program

# 8. Appraise 100% of new construction

The role of the County’s elected leaders is pivotal in guiding County government to a sustainable financial future. Of the 18 strategies, only four can be adopted administratively by county staff. All of the others—14 strategies — must be enacted by the County Board to take effect. Two tax strategies—the property tax lid lift and 911 sales option— also require voter approval. The accompanying matrix lists the 18 strategies and notes which ones:

- Must be enacted by the County Board; and/or
- Require voter approval.

Franklin County has a strong professional financial management team, whose members have become experts at “*survivorship*” in recent years. But the three elected County Commissioners are the ultimate decision makers and chiefs of Franklin County’s finances. A sustainable financial future is in their hands. Promising a future of more than mere survival over these next years will demand their *visionary leadership*.

### Risk Factors

Could future financial conditions be worse than the projections? What could possibly go wrong? *Well, things happen...*

The County’s 2024 operating budget is “balanced”, with projected revenues matching expenses. However, even this year Franklin County could face a mid-year deficit. And annual deficits of \$3 million to \$7 million are projected to continue each year going forward.

It’s conceivable that Franklin County could experience worse financial conditions than those predicted by the models. Actual revenues may fall below the mid-range scenarios—or perhaps even below the low-range scenarios. Or it’s possible the County’s actual expenses might increase enough to exceed the highest expense projections.

Some risk factors are fully within the County’s control; most are not. Here are a few other risk factors worth considering:



*Faltering economy:* The long promised economic downturn could arrive and depress County revenues. Meanwhile, high inflation has been taking a bite out of the County’s pocketbook and threatening to drive up wages across the board. Franklin County’s economy may have seemed recession-proof in the past, but that may not reflect future trends and financial reality.

*State mandates:* Counties are an arm of state government. The Legislature may choose to assign costly duties to counties without compensation. These “unfunded mandates” have mounted over the years and now place significant cost pressure on Franklin County.

*Revenue trends not sustained:* The post-pandemic years have been a boom time for new development and Franklin County’s economic health. Property tax and sales tax revenues have benefited, reaching all-time highs in the post-pandemic years. Federal and state grants also climbed to reach unprecedented levels. These trends are unlikely to be repeated over the next few years.

The best safeguard against these risk factors is a comprehensive approach to fully implement this multi-pronged Strategic Financial Plan.





## Franklin County Financial Sustainability Strategies

Board Action	Voter Approval	Highest Priority	New Revenue Sources
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1. Sale/lease of County-owned real estate
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	2. Property tax lid lift
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	3. 911 sales tax option
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	4. Public facilities sales tax
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	5. Government relations program
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	6. State/federal grants coordinator

Board Action	Voter Approval	Highest Priority	Increase Current Revenue Sources
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	7. Annual 1% property tax increase
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	8. Appraise 100% of new construction
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9. Countywide schedule of fees and charges
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	10. Franchise fees and impact fees

Board Action	Voter Approval	Highest Priority	Cost-Saving Efficiencies
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	11. Strategic salary increases for key positions
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	12. Employee retention/recruitment/succession plans
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	13. A culture of continuous improvement
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	14. Audit interjurisdictional programs
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	15. Control HRA VEBA costs

Board Action	Voter Approval	Highest Priority	Financial Management
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1. Adopting financial policies
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	2. Quarterly budget review/adjustments
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3. Biennial budgeting







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