

WRIA 8 Draft 2019 Budget and Work Program Briefing Memo: Management Committee Recommendation

Updated May 1, 2018

Background

In 2015, the 28 local government partners in WRIA 8 negotiated renewal of the interlocal agreement (ILA) to continue cost-sharing implementation of the WRIA 8 Chinook Conservation Plan. Partners also renewed the memorandum of understanding (MOU) between the Salmon Recovery Council (SRC) and King County as the service provider to WRIA 8. The MOU specifies that WRIA 8 ILA partner cost shares can be increased annually to cover projected annual staff and operating cost increases, with the Consumer Price Index for Wages (CPI-W) used as an estimate for cost share increases. Per the MOU, these terms can be revisited if costs increase greater than CPI-W.

King County's staff and operating costs for 2019 are estimated to represent a 5.7% increase over the approved 2018 WRIA 8 budget, which is more than the estimated CPI-W rate (3.3%). While King County's estimated labor growth rate from 2018 to 2019 is 3.5%, the 2018 union negotiated general wage increase was higher than anticipated and caused King County's 2018 actual costs to be greater than costs reflected in the approved 2018 WRIA 8 budget. Therefore, the proposed 2019 costs, which are based on 2018 actual costs that include the higher general wage increase, represent a 5.7% increase over the approved 2018 WRIA 8 budget rather than King County's 3.5% annual labor growth rate. Beyond 2019, King County's estimated annual labor growth rate tracks closely with future CPI-W rate estimates, so continuing to use CPI-W as an estimate for the annual increases seems appropriate at this time.

As part of establishing the 2019 budget per the MOU, the Salmon Recovery Council discussed options to address the difference between King County's estimated full costs and the CPI-W rate, which amounts to \$13,640. The Management Committee met on May 1 to develop a 2019 budget and work plan recommendation for SRC consideration.

Management Committee Recommendation

The Salmon Recovery Council should approve increasing the ILA cost share 5.7% in the 2019 WRIA 8 budget to provide the revenues needed to cover base expenditures.

The Council should approve the proposed 2019 WRIA 8 staff team work plan.

Main points for 2019 draft budget

- In the budget table, the ILA partner cost share increase reflects the Management Committee recommended increase of 5.7%.
- The 2019 ILA cost share was recalculated per the terms of the ILA, to update the three parameters used in the formula – jurisdictions' population, area, and assessed value.
- King County's true costs for 2019 are estimated to increase 5.7% over costs reflected in the approved 2018 budget.

- The difference between King County’s estimated 2019 costs and the 2019 CPI-W rate increase (3.3%) is \$13,640.
- While King County’s estimated labor growth rate from 2018 to 2019 is 3.5%, the 2018 union negotiated general wage increase was higher than anticipated and caused King County’s 2018 actual costs to be greater than costs reflected in the approved 2018 WRIA 8 budget.
- King County’s staff cost increases are driven by three factors: 1) general wage increase, 2) merit-based increase, and 3) benefits costs increase.
- The State Lead Entity grant (\$60,000) and Puget Sound Acquisition and Restoration (PSAR) project development grant (\$48,987 per year) will be awarded to WRIA 8 for 2019. The Lead Entity grant is generally considered a component of base revenues and is expended primarily on staff costs related to performing statutory Lead Entity functions. A portion of the PSAR project development grant can also be used on staffing.
- The reduction in costs for the Administrative Coordinator position results primarily from a staff change. Also, the position was previously split between WRIAs 8 and 9, each receiving 0.5 FTE. The position is now shared across the three watershed groups at King County. Under this new model, WRIA 8 receives 0.4 FTE. We do not expect a reduction in service, as King County will cover additional administrative tasks as needed.
- Overhead is a per FTE cost and reflects an estimated \$50,807 per FTE for 2019.
- Supplies and services costs reflect a 3.7% general inflation rate increase for 2019.
- The current carryforward funding balance is illustrated at the bottom of the budget.
- In January, the Council approved the use of \$92,000 in carryforward funding to perform wood surveys on the Cedar and Sammamish rivers and Tier 1 and Tier 2 streams. This amount is shown under “additional expenditures” in the 2018 budget. Other emerging priorities can be considered for funding using the same carryforward fund balance.

Options to address the gap between King County’s 2019 estimated full costs and ILA cost share increase based on CPI-W

The MOU between the Salmon Recovery Council and King County allows for annual cost share increases, with the CPI-W used as an estimate. The CPI-W increase of 3.3% reflected in the budget table falls short of fully funding base operating costs for 2019 by \$13,640. Several options described below indicate how the funding gap could be addressed. The Council reviewed and discussed the options below at the March meeting, and the Management Committee used the options at their meeting in May to inform their 2019 budget recommendation.

Options include:

- Do not increase the ILA cost share, and supplement base revenues using a combination of carryforward funds and a portion of the Puget Sound Acquisition and Restoration (PSAR) grant for eligible staff work plan topics to fund the base expenditure shortfall (NOTE: this reduces the amount of carryforward funding available to fund emerging priorities).
- Increase the cost share 3.3% and supplement base revenues by devoting a portion of the PSAR grant to eligible staff work plan topics (NOTE: this reduces the amount available to fund emerging priorities).

- Increase the cost share 3.3% and use carryforward funding to fund the base expenditure shortfall (NOTE: this reduces the amount available to fund emerging priorities).
- Increase the ILA cost share more than 3.3%, but less than 5.7%, and use carryforward funds or the PSAR project development grant to cover the remaining difference.
- Increase the ILA cost share 5.7% rather than 3.3%, which would provide the revenues needed to cover base expenditures.