2020 WRIA 8 Budget and Work Plan – Management Committee Recommendation

July 18, 2019

Background

The 2020 WRIA 8 operating budget is proposed to increase 2.55% based on the estimated Consumer Price Index for Wages (per the WRIA 8 interlocal agreement (ILA) and associated memorandum of understanding (MOU)). While King County estimates a 3% labor growth rate in 2020, recent staffing changes are anticipated to keep 2020 operating costs within the total ILA cost share assuming a 2.55% increase and 28 local government cost share partners. However, if Snohomish County is not a cost share partner in 2020, resulting in 27 ILA cost share partners, there is an estimated $40,646 budget shortfall between base revenues and base expenditures.

The Salmon Recovery Council discussed and provided feedback on draft 2020 budget and work plan information at the May 16 meeting. The Management Committee met on June 19 to develop the following 2020 budget and work plan recommendation for Salmon Recovery Council consideration.

Management Committee Recommendation

The Salmon Recovery Council should approve the following for the 2020 budget and work plan:

- Budget Scenario A – Snohomish County included as a cost share partner
    - Total cost share of $629,774 distributed across 28 local government partners

- Budget Scenario B – Snohomish County not included as a cost share partner
    - Total cost share of $565,721 distributed across 27 local governments partners

    - As an interim measure, approve using a portion of Puget Sound Acquisition and Restoration project development grant funds (Option 1 in the table below) to cover the estimated $40,646 shortfall from not having Snohomish County's cost share. In the event the available PSAR project development grant funds do not fully cover the shortfall, carry forward funds should be used to cover the balance. This approach aligns with the rationale and approach approved by the Salmon Recovery Council to cover the budget shortfall in the 2019 budget.

- A goal of reserving 10% of base revenues in available carry forward funds to be used for unanticipated staffing/operating costs (i.e., "rainy day" fund). The Salmon Recovery Council would retain the ability to approve spending these reserve funds if/when other priorities warrant.

- Approve 2020 WRIA 8 staff team work plan as proposed.

Options considered to address budget shortfall if Snohomish County is not a cost share partner

WRIA 8 is in active discussions with Snohomish County regarding their status as a cost share partner to the WRIA 8 ILA in 2020. On May 24, Mark Phillips, Salmon Recovery Council Vice Chair, and Jason Mulvihill-Kuntz, WRIA 8 Salmon Recovery Manager, met with Dave Somers, Snohomish County Executive, Stephanie Wright, Snohomish County Councilmember, and other County lead staff to discuss the County's withdrawal from the WRIA 8 ILA and request the County include funding in their 2020 budget to return the County as a cost share partner. Executive Somers and Councilmember Wright both seemed supportive of working to find funding in the 2020 budget to enable the County to return as a cost share partner, but noted very challenging budget conditions might not make the County's return in 2020 possible.

The table below identifies budget options considered by the Management Committee in developing the 2020 recommendation above, to address the anticipated $40,646 shortfall between base revenues and base expenditures if Snohomish County does not return as an ILA partner in 2020 (Budget Scenario B).

Options	**Pros / Cons**
1. Continue 2019 approach – Use a portion of available Puget Sound Acquisition and Restoration project development grant funds and/or WRIA 8 carry-forward funds to cover potential revenue shortfall.	Pros: • No reduction in WRIA 8 services; • Adequate balance of PSAR project development grant funding available to cover revenue gap (estimated PSAR grant funds = $51,000) through eligible staffing costs; • Uses carry-forward funds (estimated at $131,658 as of May 1, 2019) as "rainy day" funding to cover revenue gap. Cons: • Reduces carry-forward fund balance available to support other watershed priorities that are difficult to fund through grants or other sources; • Flexibility in using the funds is limited – PSAR funds must be tied to project development activities and are not available for certain types of staffing costs.
2. Recalculate the WRIA 8 ILA cost share total (including Snohomish County cost share) across 27 remaining ILA partners (11.3% increase over revised 2019 cost shares).	Pros: • No reduction in WRIA 8 services. • Meets full cost recovery for service provider. Cons: • WRIA 8 partner 2020 cost shares increase 11.3%.

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<tr><td>3. Incremental ILA cost share increase combined with grant/carryforward funds to achieve full cost recovery over three years (2022):
2020 = increase ILA cost shares 4% ($573,720) + $32,640 in grant/carryforward funds
2021 = increase ILA cost share 5.5% ($605,275) + $21,076
2022 = increase ILA cost share 6.75% ($646,131) + ~ $0</td><td><u>Pros</u>:
Maintains consistent level of WRIA 8 services and achieves full cost recovery.
Less financial burden to partners than covering full gap through ILA cost share (Option 2).
Gradually increases ILA cost share over three years rather than full increase in first year.
<u>Cons</u>:
Requires using grant and/or carryforward funds to off-set amount of shortfall not covered by ILA increase.
Increases annual partner cost shares greater than annual CPI-W estimate.</td></tr>
<tr><td>4. Reduce WRIA 8 staffing commensurate with the shortfall amount</td><td><u>Pros</u>:
No increased costs to WRIA 8 partners.
<u>Cons</u>:
Reduced WRIA 8 staffing in 2020 and potential long-term impacts to staff capacity.</td></tr>
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