

Financial Trends Monitoring Report

Clark County, Washington
2008

Prepared by
Clark County Auditor's Office
Financial Services Division



proud past, promising future

CLARK COUNTY
WASHINGTON



For other formats, contact the Clark County ADA Office: **Voice** (360) 397-2000;
Relay 711 or (800) 833-6388; **Fax** (360) 397-6165; **E-mail** ADA@clark.wa.gov.

2008 Financial Trends Monitoring Report

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CLARK COUNTY
WASHINGTON

AUDITOR
GREG KIMSEY

July 22, 2009

Honorable Mark Boldt, Chair
Clark County Board of Commissioners
PO Box 5000
Vancouver, Washington

RE: Clark County Financial Trends Monitoring Report

Dear Commissioner Boldt,

The following represents our report of financial trends for Clark County for the ten year period ended December 31, 2008.

INTRODUCTION

This report has been compiled in accordance with the provisions of the Clark County Fiscal Policy Plan, and includes trends of key financial and economic indicators for the government and community of Clark County, Washington.

Information for the report is derived from various County financial records and reports, including the Comprehensive Annual Financial Report (CAFR), and from various other local and state governments and agencies.

FISCAL POLICIES

The report presents the 17 fiscal policies included in the Clark County Fiscal Policy Plan. These policies provide guidelines for the prudent management of the County's finances. These guidelines are not absolute rules, but variation from them should be carefully considered and of limited duration only. We have provided a brief narrative following each policy statement that represents our opinion of the degree to which the County is in compliance.

FINANCIAL SERVICES

1200 Franklin Street, P.O. Box 5000, Vancouver, WA 98666-5000

(360) 397-2310, Fax (360) 397-6007, www.clark.wa.gov/auditor

FINANCIAL INDICATORS

The report presents 42 financial trend indicators as recommended in the Clark County Fiscal Policy Plan. The indicators are divided into six categories: Revenues, Expenditures, Operating Position, Debt Structure and Leave Liabilities, Condition of Capital Assets, and Economic Base. On pages x through xiii, we have provided a summary of the trends with more detail shown in the ensuing pages. Each trend is classified as "favorable," "unfavorable," or "mixed."

Some trends have been impacted by the January 1, 2003 addition of the health department to the County which added 148 staff and \$18 million in revenues.

A summary of the 42 trends reveals the following:

- Fifteen of the trend indicators were deemed to be "favorable", down from twenty-one in 2007, and thirty in 2006. Favorable ratings can be found in all categories except operating position. There has been a downward trend of the total number of favorable ratings for the past several years as several ratings have deteriorated along with the decline in new construction revenue in the County; notably, building fees, planning and impact fees, real estate excise tax (REET), sales tax, and the financial condition of the Community Development Fund.

Positive signs are that the County continues to adequately maintain roads, buildings and other assets. The presidential election contributed to high voter turnout in the election process in 2008. Also expenditures per capita and employees per capita have kept pace as the County's population continues to grow.

- Sixteen indicators were labeled "mixed", the same as in 2007. This category is assigned if a portion of the indicator is unfavorable, or if there is a trend showing the indicator moving in an unfavorable direction.

Four of ten revenue indicators are rated as mixed, reflecting the uncertainty related to the current economic slowdown that we are experiencing. Operating revenue per capita; restricted operating revenues; General Fund revenue variances; and licenses, permits and charges for service as a percentage of operating revenue were all rated as mixed. Many of these revenues have been impacted by the economic slowdown, particularly the decline in construction activity.

On the expenditure side, two ratings were mixed as total governmental expenditures per capita increased, as well as personnel expenditures (where the average cost per FTE increased seven percent in 2008 from 2007).

Four of eight indicators of operating position are rated as mixed. The fund liquidity ratio for General Fund was the lowest it has been for the last ten years, while the Road Fund's liquidity was adequate to meet short-term obligations. Enterprise funds net assets and enterprise operating income has a mixed rating. Contributed assets from developers may impact future maintenance expenses and operating income has been declining slightly since 2002, except for 2006, and reached a ten year low in 2008. Liquidity of the Equipment Repair and Replacement Fund remained constant at about

\$4 to \$5 million from 2001 to 2007, but dropped to a ten year low of \$2.3 million in 2008. Finally, the insurance reserve received a mixed rating as reserves are currently adequate, but may become depleted as unemployment claims rise.

Four out of five indicators in the debt structure and leave liabilities categories were rated mixed. Increased debt reflects efforts the County has made to address infrastructure shortcomings in buildings, roads and information systems. Short term debt was rated mixed as Community Development nearly doubled their need for short term borrowing. Although total debt service costs have declined every year since 2005, when adjusted for inflation, they have increased by 46% since 2003. Overlapping debt per capita has increased from \$1.7 thousand in 1999 to \$2.4 thousand in 2008 and could be a deterrent for voters to pass future bond measures. In addition, other public entities are increasing their debt levels as they also try to address infrastructure needs associated with growth and the subsequent demand for services. This “overlapping debt” per capita increased every year except 2006. The unused vacation leave per FTE increased by eight percent in 2008 and is higher than it has been for the ten years monitored in this report.

Finally, there are two mixed ratings for the economic base. Assessed property values were mixed as the unincorporated assessed values decreased by two percent in 2008 and unincorporated new construction assessed value fell by 74 percent in 2008. The Port of Vancouver activity saw a decline in the number of ship calls and metric tons in 2008.

- Eleven trends were identified as “unfavorable” which is up from five in 2007, and three in 2006.

Under the revenue category, General Fund revenue per capita, when adjusted for inflation, declined for the last three years in a row. Taxes had little growth in 2008 which hinders the operations of the County. Also, tax revenue per capita was unfavorable as it declined for three years in a row. Capital project revenues have declined sharply for the past three years due to decreases in real estate excise taxes and impact fees, as a result of the slowdown in the housing market and decline in building activity.

There was one unfavorable expenditure rating in 2008 for employee benefit costs which increased by 8.1 percent over 2007 as the result of rising health care and retirement benefit costs.

Operating position had three unfavorable ratings as the General fund recorded a \$7.1 million operating deficit in 2008, which was the largest deficit recorded during the ten years monitored in this report. The ending fund balance in the Permanent Reserve Fund fell short of the minimum six percent of General Fund operating budget called for in the fiscal policies, for the sixth year in a row. In addition, the General Fund had the lowest undesignated fund balance at the end of 2008 in the ten years covered by this report. Liquidity in the Community Development Fund continues to be an ongoing problem and has yet to be addressed.

Four unfavorable trends can be found in the economic base. Clark County’s median household income increased less than inflation in 2008 and has been below the State

median income for the last five years. Residential development has been on the downswing in the County as the number of units permitted decreased for the fifth year in a row. The County's unemployment rate nearly doubled in 2008 and continues to be higher than the Portland metropolitan area and State rates. Finally, the taxable sales of goods and services were unfavorable as they declined almost nineteen percent in the unincorporated area since 2005. Clark County unincorporated taxable sales went down by ten percent from 2007. This downward trend has continued into 2009 indicating further financial stress for the County in the future.

SUMMARY

The continued downward trend of the number of favorable trends in the past few years is an overall indicator of the financial and economic stress the County is experiencing. Flat or declining tax revenues, along with declining construction related revenues have widespread ramifications to the County. Spending increases most likely will not be sustainable during this period of economic decline. In the long-term, three significant challenges face the County - unmet service demands; restrictions placed on the growth of revenue for local governments; and the national and local economy.

Population growth increases the demand for services in the long run, including capital facilities. The increase in the County's long-term debt reflects attempts to provide necessary capital facilities, as does the increase in overlapping debt for the community as a whole. Long-term debt and debt service costs are reflected in "mixed" ratings in this report, but it should be noted that the backlog of capital facility should be progressively addressed without obligating the General Fund with large debt payments.

We continue to see the impact of the property tax limitations. County-wide property taxes, as a percentage of total operating revenues, have fallen from 32% in 1999 to 28% in 2008. The County has been successful in utilizing other revenue sources and benefited from high levels of new construction for several years, but the downswing in construction activity will pose further challenges to both revenue generation and maintaining acceptable levels of service within budgetary restrictions.

The Community Development Fund and capital projects funds (REET and impact fee funds) have seen a negative impact due to the slowdown in the economy and in particular the downturn in construction. This has increased the difficulty in sustaining capital programs, such as new parks construction. The slowdown has also dampened other economic drivers (sales tax activity) and the County may be facing extended financial difficulties in the near future.

Sincerely,

A handwritten signature in black ink that reads "Greg Kimsey". The signature is written in a cursive style with a large, sweeping initial "G".

Greg Kimsey
Clark County Auditor

CLARK COUNTY FISCAL POLICIES

As of December 31, 2008

Background

The Fiscal Policy Plan was first adopted by the Board of County Commissioners in 1982 and amended on August 2, 1994. Its purpose is to assist decision-makers by providing information and guidelines that cumulatively should ensure that Clark County continues to pursue a financially prudent course.

In this document we quote the fiscal policies (in italics) and give a brief description of County practices that relate to that policy.

PoliciesPolicy 1

The County shall calculate and compile financial indicators, consistent with Appendix "A", for each year. Any indicator showing an unfavorable trend shall be analyzed to determine why the change has occurred. The County Administrator is authorized to add or delete financial indicators to reflect the needs of the County and the availability of relevant information.

This information is provided as part of this report.

Policy 2

Clark County shall annually forecast revenues and expenditures for the next three to five years for the General Fund and Road Fund. Forecasts should reflect the County's multi-year capital improvement plans. Other funds should be forecast to the extent that they are material and can be reasonably predicted.

As part of the biennial budget process, the Budget Office forecasts the General Fund in detail and major changes to this base for an additional four years. Public Works staff includes expenditure forecasts for the Road Fund as part of the six-year transportation capital construction program. Parks has a construction plan through 2012.

Policy 3

Clark County shall proactively seek citizen involvement in evaluations of services and service levels.

Clark County's budget process furnishes extensive opportunities for citizen involvement in the evaluation of programs and the allocation of resources. Budget meeting notices are published in local newspapers and public hearings are held, at which time the BOCC seeks input from staff and citizens, as it considers and ultimately adopts the budget. The County also has numerous advisory boards that provide citizen evaluation and advice on a continuous basis over many program areas.

Policy 4

Clark County will accept State and Federal money to fund programs mandated by law; or programs established as a local priority after taking local contributions into account.

The Board of County Commissioners approves grant-funded contracts. Most local match for grant-funded programs relate to infrastructure needs that are included in the County's Comprehensive Plan and the Six-Year Transportation Improvement Program.

Policy 5

Clark County will set charges for each enterprise fund (sewer, solid waste, etc.) at a level which supports the direct and overhead costs of the enterprise, primarily by fees, grants, or other sources consistent with the direction of the Board of County Commissioners.

Net assets for enterprise funds are positive at the end of 2008.

Policy 6

Clark County will pursue a fair and equitable process for the collection of property tax and all other revenues, with the goal of minimizing delinquencies.

At December 31, 2008, uncollected delinquent property tax amounted to \$3.2 million, which is 3.6% of the current tax levy. During the last ten years the percent collected has never been less than 96%.

Policy 7

Clark County management is required to comply with budgetary restrictions. A reporting system will be provided to help managers monitor and adhere to financial constraints.

The Auditor's Office monitors compliance with budgetary restrictions and provides departments with a variety of monthly reports to assist managers in controlling expenditures.

Policy 8

Clark County will provide for adequate maintenance of capital facilities and equipment, and for their orderly replacement, if necessary.

The County finances two revolving funds that provide for the maintenance, repair, and orderly replacement of heavy equipment, vehicles, and personal computers. In addition, the County has adopted long-term major maintenance programs for facilities and parks. The replacement of the County's financial system was completed in 2005; the replacement of the Assessment and Tax Collection system is under way; and detailed plans to replace Law and Justice information systems are being developed. In the past 5 years, the County has significantly upgraded its facilities completing construction of the Public Service Center, the Community Health Center, and significant remodels of the Courthouse and Juvenile Detention facilities.

Policy 9

Clark County shall establish reserve funds to pay for needs caused by unforeseen events. Reserves shall be held to address the following circumstances: 1) Catastrophic reserves, to provide limited emergency funds in the event of natural or manmade disasters; 2) Operational reserves, to provide additional funds for limited, unexpected service needs; 3) Liquidity reserves, to provide funds sufficient to insure smooth running of the County and pay current obligations; and 4) Capital reserves to facilitate the orderly replacement or acquisition of capital facilities and equipment. An amount equivalent to between six percent and ten percent of the General Fund operating budget shall be held in a separate reserve. Individual fund managers shall maintain reserves to address operational and liquidity needs for the funds under their control.

The County has established capital reserves for vehicle and computer equipment. Liquidity reserves are established in each fund. For the first time in the ten year period covered, the liquidity of the General Fund may be inadequate to prevent the need for short term borrowing. The County has established a permanent reserve fund to provide for operational and liquidity needs. At December 31, 2008, the balance in this reserve fund amounted to \$6.1 million or 4.5% of the General fund operating budget. The County has failed to maintain the 6% standard for each of the last six years.

Policy 10

Capital improvements must be designed to provide sufficient benefits for the expected cost. Benefits can be economic or social values expressed in the capital improvement plan, or can be based on a cost benefit analysis of all relevant costs.

Most capital expenditures are reflected in the County's comprehensive plan and the six-year transportation Improvement program. The economic and social values of these projects are expressed in these plans. Additional evaluation of capital improvements is performed at the departmental level and examined by the Budget Office. Formal cost/benefit analysis is not performed in all cases.

Policy 11

Clark County shall develop and adopt multi-year capital improvement plans to guide current and future major capital facility and equipment expenditures.

The capital facilities element of the comprehensive plan addresses infrastructure and utility needs and is augmented by more detailed plans such as the six year transportation Improvement program and open space acquisition programs supporting the expenditure of Conservation Futures funds. The Parks Department has a capital development plan through 2012. Multi-year funding plans have been developed for: law and justice capital facilities (juvenile, work release, and courthouse); the Public Service Center; and the Center for Community Health. A capital funding plan has not yet been developed for the replacement of analogue with digital equipment at the 911 center.

Policy 12

Clark County will develop investment strategies to maximize return on investments while protecting the public's assets.

The County Treasurer performs various cash flow analyses to determine size and duration of investments; has established and implemented a local government investment pool to maximize buying power and flexibility; and has developed investment policies and standards to manage the County's portfolio.

Policy 13

The County shall restrict direct debt to the limit identified in Article 8, Section 6 of the Washington State Constitution. In addition, the County will be prudent when considering appropriate levels of debt, limiting debt service to the County's current and future ability to finance that service without diminishing core services. In recognition of the value of the County's ability to raise money at competitive rates, the County will also consider the impact of any new debt on future bond ratings. Biennial budget appropriations shall include debt service payments and reserve requirements identified in bond covenants for all outstanding debt.

At the end of 2008, the County's non-voted debt limit was \$712 million. Outstanding General Obligation Bond Debt subject to this limit at the end of 2008 was \$133 million (compared to \$139 million in 2007), or 19% of the debt limit. Additional governmental debt subject to the non-voted debt limit includes Public Works Trust Fund loans, special assessment debt, and capital leases. Total governmental long-term debt (not including proprietary funds) was \$157 million at December 31, 2008, a 4% increase from \$151 million at December 31, 2007.

Policy 14

Clark County recognizes that net direct debt service should be no more than ten percent (10%) of the operating revenues of the issuing fund and the General Fund combined.

Debt service in 2008, excluding enterprise funds, was \$13.2 million, a slight decrease from 2007 (\$13.5 million). Debt service paid from the General Fund equaled 0.6% of General Fund revenue. Following is a listing of debt service paid by County funds in 2008, as a percentage of the operating revenues of the issuing fund and the General Fund, combined: County Road Fund 0.6%; Conservation Futures Fund 1.3%; Real Estate Excise Tax (REET) Fund 2.7%; the 911 Tax Fund 0.7%; Tri Mountain O&M Fund 0.5%; Campus Development Fund 2%; Building Construction Fund 0.5%; Technology Reserve Fund 0.5%; CAD/800 MHz Replacement Fund 0.3%; and the Exhibition Hall Dedicated Revenue Fund 0.9%

Policy 15

Where possible, Clark County will use revenue or other self-supporting bonds instead of general obligation bonds except where significant interest differences become a primary consideration.

The County (including proprietary funds) had \$194 million in total outstanding long-term debt at December 31, 2008. Of that, \$21 million, or 11%, is in revenue bonds.

Policy 16

Clark County will not use long-term debt to finance current operations. Long-term borrowing will be confined to capital improvements or similar projects with an extended life which cannot be financed from current revenues.

Long-term debt has been used to finance capital improvements or acquisition.

Policy 17

Clark County will keep the maturity of general obligation bonds consistent with or less than the expected lifetime of the project, with a goal of amortizing at least an average of five percent (5%) of project costs per year. All future long-term debt will have prepayment options unless alternative debt structures are judged more advantageous to the County.

General obligation bonds issued by the County have an outstanding life of 20 years or less, with the exception of recent issuances for the construction of buildings where the County has taken advantage of the low interest environment: two bond issues which finance the community health center and the fairgrounds exposition center (\$61 million, combined), both with a 30 year repayment period, and conservation futures bonds (\$25 million), with a 22 year repayment period.

INTRODUCTION

This report provides County officials and citizens with information to help them understand the financial condition of the government of Clark County. While a wealth of information is produced each year in the *Comprehensive Annual Financial Report* (CAFR) and the *Adopted Budget*, readers may find these documents difficult to read and understand. This *Financial Trends* report presents summarized financial information in a format that we hope is easier to comprehend.

This report presents 43 financial and demographic trends covering a ten-year period from fiscal year 1999-2008. We have identified favorable, mixed, and unfavorable trends. It is important to remember that these trends are looked at solely from a financial point of view and does not indicate an evaluation of the underlying programs.

What is good financial condition?

A county in good financial condition can finance services to the public on a continuing basis. Such a county can maintain existing service levels, withstand economic disruptions, and respond to growth, decline, and change. Put simply, a financially stable county collects sufficient revenue to pay short-term bills, finance major capital expenditures, and meet long-term obligations.

Financial conditions can be monitored by analyzing trends in several broad areas:

- ✓ revenues
- ✓ expenditures
- ✓ operating position
- ✓ debt and leave liabilities
- ✓ capital assets
- ✓ economy and demographics

Tracking trends in these areas over time permits County managers and officials to monitor finances and identify problem areas that may need attention.

<p>Highlights of the financial trends:</p> <p>At the end of 2008, Clark County experienced a financial downturn as the result of the weakening economy and the housing industry downturn. This report reflects the current financial stresses of the County resulting from the economic slowdown that started in 2005. Recent spending increases may not be sustainable during this period of economic decline. Also, the County may have less capacity to address future service needs due to increases in fixed costs and limits in the growth of assessed property values.</p> <p>Tax revenues per capita declined in 2008 for the first time in ten years. Property tax limitation measures, flat intergovernmental revenues, excise, and sales tax revenues contributed to the decline. In contrast, governmental per capita operating expenditures grew by ten percent in 2008.</p> <p>Each of the trends included in this report are rated as favorable, unfavorable, or mixed. Following are the ratings on the individual trends found in this report :</p> <p><u>Revenues</u></p> <p><i>Operating Revenue Per Capita: mixed</i> Operating revenue per capita has been growing slightly, but when adjusted for inflation, per capita revenue declined for the first time in five years.</p> <p><i>General Fund Revenue Per Capita: unfavorable</i> General Fund revenue per capita declined in 2008 and when adjusted for inflation has declined the last three years.</p> <p><i>Tax Revenue Per Capita: unfavorable</i> Tax revenue per capita declined in 2008 and when adjusted for inflation has declined the last three years.</p> <p><i>Intergovernmental Revenue Per Capita: favorable</i> The general ten year trend for intergovernmental revenues continues to increase.</p>	<p><i>Road Fund Revenue Per Capita: favorable</i> Road Fund revenue per capita has increased the past three years. A large portion of Road Fund revenue comes from state and federal grants and is dependant upon project timing.</p> <p><i>Restricted Revenue as a Percent of Operating Revenue: mixed</i> Restricted revenue as a percent of operation revenue indicates an ability to attract funds for specific purposes, however, this lessens the County's flexibility in addressing discretionary programs.</p> <p><i>Capital Project Revenue: unfavorable</i> In the past three years, capital project revenues have declined sharply due to decreases in real estate excise taxes and impact fees.</p> <p><i>Licenses & Permit and Charges for Services Revenues as a Percent of Operating Revenue: mixed</i> Licenses and permit and charges for services revenues showed a small improvement again in 2008 after three consecutive years of decline in 2004, 2005, and 2006.</p> <p><i>Enterprise Revenue and Expenses: favorable</i> Expenses exceed revenues in 2008 with a planned spend down of reserves. The ten year trend has been revenues exceeding expenses</p> <p><i>General Fund Revenue Variances: mixed</i> With the exception of 2000 and 2008, the difference between actual and budgeted general fund revenue has been positive. The 2007-2008 budget had the largest negative variance at \$5.5 million.</p>
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<p><u>Expenditures</u> <i>Governmental Expenditures per Capita: mixed</i> Expenditures per Capita increased 11% in 2008. The largest percentage increases were in transportation and culture and recreation which were funded by restricted revenues.</p> <p><i>Capital Project Expenditures per Capita: favorable</i> Capital expenditures increased in 2008. This was primarily due to expenditures on parks and open spaces from funds that had accumulated in previous years.</p> <p><i>General Fund Expenditures per Capita: favorable</i> 2008 General Fund unadjusted expenditures per Capita increased by 6.3% over 2007. The 5 year average increase in per capita cost adjusted for inflation is less than 1%.</p> <p><i>Road Fund Expenditures per Capita: favorable</i> Administrative costs rose slightly. Maintenance cost remained basically unchanged. Capital outlay doubled representing many projects that had previously been in the planning stages reaching completion.</p> <p><i>Employees per 1,000 Capita: favorable</i> The number of budgeted FTEs decreased in 2008 without apparent impact on services.</p> <p><i>Personnel Expenditures: mixed</i> Personnel expenditures as a percentage of total expenditures are the lowest in 5 years, but the average cost per FTE increased 7 percent from 2007.</p> <p><i>Employee Benefits Costs: unfavorable</i> Benefit costs per employee increased by 10.5% over 2007 due to increased health care and retirement costs.</p> <p><u>Operating Position</u> <i>General Fund Surplus or Deficit: unfavorable</i> General Fund balances have declined for three years in a row. This trend will need to be closely monitored over the next few years.</p>	<p><i>Fund Balance – General Fund & Permanent Reserve Fund: unfavorable</i> General Fund undesignated fund balance was the lowest in ten years in 2008. The Permanent Reserve Fund balance does not meet the six percent of General Fund operating budget policy amount. Combined fund balances of the two funds may not be adequate to meet emergencies and future obligations.</p> <p><i>Fund Balance – Road Fund: favorable</i> Road fund balances are adequate to meet future obligations.</p> <p><i>Fund Liquidity-General Fund and Road Fund: mixed</i> General Fund's liquidity was the lowest it has been since 2002 while the Road Fund's liquidity was adequate to meet short-term obligations.</p> <p><i>Fund Liquidity –Community Development: unfavorable</i> Liquidity in the Community Development Fund is inadequate to manage short-term obligations.</p> <p><i>Fund Liquidity –ER&R Fund: mixed</i> Liquidity of the equipment replacement fund remained constant at about \$4 to \$5 million since 2001, but dropped to \$2.3 million in 2008.</p> <p><i>Enterprise Funds Net Assets and Operating Income (two trends combined): mixed</i> Enterprise funds net assets should be monitored as contributed assets may impact future maintenance expenses. Operating income, adjusted for CPI, has been declining slightly every year since the high in 2000, except in 2006, and reached a ten year low in 2008.</p> <p><i>Net Assets – Insurance Reserves: mixed</i> Insurance reserves are adequate to cover future claims. Unemployment insurance claims are projected to increase and will need to be monitored in the future.</p>
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<p><u>Debt Structure and Leave Liabilities</u></p> <p><i>Short Term Debt: mixed</i> Short term debt rose from \$1.3 million in 2007 to \$3.1million in 2008. Given some of the mixed ratings in other areas of this report and the general economic downturn, short term debt will need to be closely monitored in 2009.</p> <p><i>Long-Term Debt: favorable</i> Long term debt as a percentage of the legal debt limit has declined each of the last five years, and is currently 19%. Total long term debt has remained fairly stable over the last five years.</p> <p><i>Debt Service Cost: mixed</i> Debt Service, as a percentage of operating revenues, is the lowest it has been prior to 1999. However, total debt service, adjusted for inflation, has increased by 46% since 2003, and could be a factor for future bond ratings and repayment options.</p> <p><i>Overlapping Debt Per Capita: mixed</i> Overlapping debt per capita has increased from \$1.7 million in 1999 to \$2.4 million in 2008, and could be a deterrent for voters to pass future levy and bond measures.</p> <p><i>Vacation Leave Liability: mixed</i> Unused vacation leave per FTE increased by 8% in 2008, and at \$4,313 is higher than it has been in the ten years monitored in this report. With a freeze on vacation buy-back throughout 2009, it may increase in 2009. The obligation is fully funded in proprietary funds and 25% of fund balance is designated for the liability in governmental funds.</p> <p><u>Condition of Capital Assets</u></p> <p><i>Repair and Maintenance Costs: favorable</i> Repair and maintenance costs for roads increased by less than 2% in 2008, as the price of petroleum based products used in road maintenance stabilized, following substantial increases between 2005 and 2008. Other repair and maintenance costs have remained stable, in comparison to the value of depreciable capital assets, over the last several years.</p>	<p><i>Funding for Capital Outlay: favorable</i> The County has been able to fund several building and road projects, as well as park acquisition and improvements.</p> <p><i>Capital Assets: favorable</i> The value of capital assets continues to grow, with land and infrastructure (mostly roads and storm water facilities) accounting for 63%, and buildings and improvements accounting for 21%, of total capital asset costs.</p> <p><u>Economic Base</u></p> <p><i>Population of Cities & County: favorable</i> Population has increased in each of the last 10 years reflecting a desirable quality of life in the area.</p> <p><i>K-12 School Enrollment: favorable</i> School enrollment has increased in each of the last 10 years reflecting working age parents moving into the area</p> <p><i>Median Household Income: unfavorable</i> Median household income increased less than inflation in 2008 and has been below the State median income for the last five years.</p> <p><i>Registered/Participating Voters: favorable</i> The number of registered voters and participating voters increased in 2008 as it was a presidential election year.</p> <p><i>Assessed Property Values: mixed</i> Assessed property value increased marginally with the higher percentage increase from new construction instead of increased valuation.</p> <p><i>Residential and Commercial Development: unfavorable</i> Residential and commercial development, as evidenced by the number of permits issued, was over 50% down in 2008 and has declined 75% in the last 5 years.</p>
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Port of Vancouver Activity: mixed
 Ship calls declined 10.5% in 2008 but operating revenue remained at 115% of operating expenses including depreciation.

Community Employment: unfavorable
 The unemployment rate nearly doubled in the County in 2008 and continued to be higher than the State and Metro area rates.

Taxable Sales of Goods and Services: unfavorable
 Unincorporated County sales tax revenue has declined almost 19% in the last 3 years (10.7% in 2008). Total taxable sales in Clark County were down 0.3% in 2008 from 2007.

REPORT SCOPE AND METHODOLOGY

The methodology used in this report was first developed by the International City/County Management Association (ICMA) in their publication, *Evaluating Financial Condition: A Handbook for Local Government*. In accordance with the ICMA methodology, we developed a definition of general government operating revenues and expenditures that includes the General Fund, Road Fund and other governmental special revenue, capital projects and debt service funds.

Excluded from the definition of general government operations are enterprise and internal service funds. However, we have included selected indicators for the water, sewer, and solid waste enterprise funds and the equipment, repair, and replacement (ER&R) and insurance reserves internal service funds.

Sources of data:

- Comprehensive Annual Financial Reports (CAFR) and County financial records provided most financial data
- Washington State Office of Financial Management provided population, and median income data
- Clark County Treasurer’s records provided property tax data
- Clark County budget documents provided FTE data
- Office of Superintendent of Public Instruction for the State of Washington provided school enrollment data
- Clark County Assessor’s office provided assessed property values
- Clark County Elections provided registered voter data
- Port of Vancouver CAFR provided port activity data
- The County Planning and Building Department provided development data

To eliminate the effects of inflation from year-to-year comparisons, if necessary, we adjusted dollar amounts for each prior year to equal purchasing power in FY 2008, using the Portland-Salem-Vancouver Consumer Price Index for All Urban Consumers, as reported by the Bureau of Labor Statistics, U.S. Department of Labor.

