

## **Whatcom County Business & Commerce Committee**

**December 14, 2020, 11-1230pm**

Voting members in attendance: Casey Diggs, Clark Campbell, Debbie Ahl, Troy Muljat, Sarah Rothenbuhler, Ryan Allsop, Bob Pritchett

Non-voting members in attendance: Don Goldberg, Councilmember Rud Browne, CJ Seitz, Michael Jones

Public in attendance: Jennifer Noveck, Gina Stark, Cara Buckingham, Rob Fix, Guy Occhiogrosso, Mauri Ingram, Commissioner Ken Bell, Commissioner Michael Shepard, Councilmember Tyler Byrd

### **Motion to call the meeting to order at 11:03am.**

Clark: we are not yet a quorum, so we cannot approve any minutes or vote on any issue.

Don: Hopefully some more people will come in.

Clark: Now we have a quorum. Proposed to open the meeting at 1103. Second by Troy Muljat. Meeting is officially open. First order of business is to approve the minutes of the November meeting.

Approve minutes. Seconded by Debbie. Votes yes by hand: Clark, Bob, Casey, Ryan, Troy, Cara, Debbie. Minutes approved. No notes votes.

Clark: Discussing schedule going forward in January. Keep to the same time slot Monday 11-1230, except when there is a holiday, if there is a holiday, it'll be the third Thursday 11-1230, same time. Open that to discussion or should that be sent out as a poll?

Don: If you want to propose and vote and take care of it now?

Clark: Proposing 3<sup>rd</sup> Monday 11-1230, same time slot, lock that in the schedule.

Ryan moved. Seconded by Debbie

Yes: Ryan, Debbie, Clark, Debbie, Bob, Troy, Cara. So moved and passed.

Don, did you want to address next point. Each one of you can assign a person as your project. Sarah has made Cara her official proxy. She can vote on behalf when she's not present. We just ask that you give us the contact information. It allows us to have a quorum if you cannot attend. Please forward to Jenn.

Don: We received notice that there are five terms expiring. We phased it so that everyone would not time out at the same time. 2 and 4 year commitments, so the 2 years are coming up. Drew Zogby, Clark, Troy, Brad, Doug Thomas, are all up. I believe Troy, Brad, and Clark will send in applications. I think for re-upping it might end this week. Doug Thomas has told us he is not planning to re-up, and Drew probably won't either. Those are two that will go through the application process, if anyone knows quality people who would like to be on the committee, please let them know

Tyler: Whatcom is a biennium budget. This is the budget that was just passed by Council. Councilmember Brown has passed on comments from this committee over the past few months and it has been helpful. Looking at all the different revenues we see, we have a lot of resources. The biggest one that we have is the general fund, that is based off sales tax, property taxes, fines, and forfeitures. General funding was what the biggest question was because of overall sale taxes. Property tax, the last recession did get reduced. This year property tax collection has been consistent with expectations year to date. One of the changes is that

mortgage companies are paying taxes on behalf of lenders so they do not have problems due to nonpayment of taxes. So we have not seen a reduction year to date. From a sales tax standpoint, in our general fund, year to date through Sept we are down 2.2%, if you would have asked that in March, as some Council Members would have thought this would have been down 10-20%. There's a couple of reasons. Early on January and February, we were up 10% year to date in first two months. First quarter collections strong. March and April went flat, about 3% increase. Then May and June came around and there was a big reduction, 22% reduction in May, 17% in June, in July-August was about 7% reduction. But at this point when looking at minus 2.2% reduction year to date, I would say overall our general fund sales tax collection has been consistent outside the real big dip with the business closures due to Governor's orders. That's our sales tax projection for this. We've tried to use this information for 2021-2022. One of the complications, we collect sales tax for a number of funds, we also do it for criminal justice purposes to fund the jail, a jail sales tax, behavioral health fund, to support chemical dependency work. This group knows that there is an economic investment sales tax fund for infrastructure improvements, lodging sales tax, and then there is a real estate excise tax being collected. All of those we've been monitoring and seeing what they look like in 2020 and see what they might look like in 2021-2022. We were pretty nimble this year, early on the county administration asked the council to put in a hiring freeze. That hiring freeze reduced expenditures. Operating costs are about personnel costs, 75% personnel costs. The way we spend money is by employing people, so the way to save money is to not hire people. We have transferred 21 positions, or kept them at a hiring freeze to reduce expenditures, and forwarded that into 2021. We are down 20-22 positions.

Then with the uncertainty that is surrounding us is a status quo budget, no real new programs. Existing county services will be maintained but we will be monitoring on a quarterly basis what revenues look like and we will be engaging the council to hire back some of the employees we have freezes on, new programs if we see revenues stabilize. Not sure what the group is looking for, this is a brief outline, I could go on and on. Council members on the call. Happy to answer any specific calls.

Don: Sarah, do you have questions?

Sarah: From the business standpoint, it is critical to understand where revenues are coming from. So, that summary of general fund revenue, it would be helpful if we could see the breakdown of property and sales tax, since that is over 50%. How much of that increase is online sales or taxes from amazon, you wonder about sustainability there. We've seen significant tax increase over commercial property in the past two years, I'm guessing how sustainable that is over time. Council asks us what we can do, knowledge is everything and it has been surprisingly hard to get a spreadsheet budget. That summary is words is dangerous if we are making budget decisions with that information.

Don: I'm guessing that part of sales tax is that people were buying fewer items that were very expensive like boats, RVs, big ticket items. Can we track any of that?

Ken: To her point, it's not about the words and what you think it is, it is about seeing the numbers. We can conjecture all day long. I think what Sarah is asking for is a spreadsheet. I do not think we should go down that road.

Don: I wasn't trying to replace one with the other, I was just asking if sales tax was better than

Sarah: The harder it is to get the facts in front of us, the more concerned we get. Smoke and mirrors and big curtains aren't helpful. How can we be helpful?

Clark: From your point, what part the county gets, what part the city gets, this trend we are seeing now with Amazon, I am sure a lot of businesses in this group can attest to this that it is up quite significantly. If that persons address in the county, the county get it, but if it is in a city, then the city gets it.

Rud: County gets a greater portion of the tax in unincorporated.

Clark: Once you know what the assumption is, what is the assumption on the cost line, do we need to do deeper cuts to critical services? I think we are getting overall stories on that, without the detail on what do the revenue streams look like? What are the assumptions around those?

Don: Projections was another important aspect, wasn't it Sarah?

Sarah: Yes.

Rud: Can I take a shot at that? We are very fortunate to have Tyler Schroeder and Brad Bennet running the finance team. They know what they are doing, they've been doing this a long time. The county's revenue is three sectors: property tax, which frankly just keeps happening. Sometimes it is delayed because someone might die, but one way or the other. Parent revenue: being collected at the state level and Vegas revenue: federal government throwing resources our way. It is the Vegas stuff that worries me because we have no idea what they are going to do. The reason we are stable is because of that money this year, if we went without it the loss we'd be looking at would be much higher.

Sarah: Thank you. Rud I think you have the most experience of anyone. Tyler, I do not have your email, there has to be data feeding into that summary that we can make some sense of it. Without some details and some facts beyond a summary our hands are tied and we are just guessing.

Debbie: I am wondering if there is a way we might work or put together. I've found Tyler to be so helpful. Perhaps we could work to put together a spreadsheet so they know what you want to see, we understand it cannot be at the business level. But it seems like maybe we should do it this way. Tyler has always been really transparent when I've worked with him.

Tyler: It is not that often that people are that interested in the nuts and bolts of a county budget. If there is that interest, I'd be more than happy to get that information.

Clark: I want to put a motion to the group. We put a group together, then that group puts the question forward as a sub-committee as Debbie had proposed, then that comes back to the sub group and they can present to the wider group. That will make it more efficient. Propose a small group just to get that data set queued up for the January meeting. Motion to form a sub-committee to get a revenue stream breakdown. Second for that motion Troy. All in favor: Clark. Casey, Sarah, Debbie, Ryan, Troy, Bob.

Do we just want to do that through going through the group that sets the agenda each week? Don, Jenn, Debbie, and Clark?

Don: I think we should do what we did like we did with housing. Sub-group comes up with questions, get them to Don, he gets them to Tyler.

Rud: Just to be clear, I do not think we can give any additional granularity on sales tax. The property tax increase is not anything that the County has done. This is due to the McCleary decision. The County has no control, that's not quite true, we do have control over increasing it, but we have not voted to. But the County has not done anything to increase property tax, it is all at the state level.

Tyler: Glad you brought that up. How that commercial and residential property tax effects the county budget or if it impacts other entities.

Don: Clark, I propose that Jenn and I will send out an email who will be part of that team and we will create it for you.

Clark: Further questions for Tyler? Trying to think if I have any.

Don: Rud giving us an update on any Council business information, things on the docket.

Rud: There's not much. I'd like to use my time on the budget issue. We ran department heads through a 10% and 20% reduction scenario. We are fortunate because of Vegas revenue we were not pushed in this direction. All the department heads took that seriously and gave us scenarios of what that would look like. The damage to the community of going beyond 10%, 20% causes real damage to the services, particularly criminal justice, sheriffs department, all training and supervision eliminated, hopeful that's not the case. The other thing is the good news from this county's perspective is we have no debt. Our assets are paid for, we have decent fund balance in most of the dedicated funds like road fund or what have you, if you had to choose what county you wanted to be in from a financial planning perspective, you are in the right place. There's been good management for a couple decades. One of the key things we are dependent on is the cross border trade, which has completely died. Council has focused on budget issues, we have a light schedule now for the next month because they are technically on a break, playing catch up for the year.

Don: He waited to hear back from Andrew, he is fighting COVID, so not able to attend the meeting and we will update you when we hear from him.

Rud: I assume you are reading reports Erika sends out. One of the things that has been a topic of discussion is the wasted money on the Byron St facility. It is not empty anymore. We have 25 rooms and they are in use now. Numbers are rising rapidly. We are as well prepared as we could be. I'll leave it at that.

Don: Clark did you want to move on?

Ryan: Sorry can I ask a budget question? Tyler, people working remotely versus employees in the community. I do not see more jobs being created, just people moving here. It doesn't feel like, it feels like there is an inverse relationship what we are losing for manufacturing jobs versus people just moving here to use services but work elsewhere?

Don: 700 from Alcoa was the main hit, 250 from Safran will be next year actually. We have had 2-3 new businesses come here. We are not making up for 700 in one position. We are seeing good trends, but clearly when you get a major manufacturer like that who leaves, it will take time to replace it.

Tyler: No not really. When we looked at projections over the years, our county revenue isn't as affected as directly because of one business or another. Even when larger businesses leave. From a general understanding of where the economy is going, use that to project numbers going forward. From a high level.

Michael: This speaks to a personal income tax. Those folks are earning incomes, they may be earning substantial incomes working from home. That means the county and cities are not collecting a B&O tax, no property tax from commercial offices, there's an issue there that the state dealt with related to sales tax. They normalized sales tax to be point of delivery. That's why if it was delivered in Blaine, Blaine gets it versus the purchase having to be made in Blaine. It is not popular for most of us, but if we rely too heavily on sales or property tax, it creates these issues. Related to Ryan and Tyler, we look at economy and cross border trade, but we also can't lose sight of big organization. If Resort Semiahmoo closes, that's a huge impact, but typically we are not looking at single businesses.

Clark: Other docketed issues?

Rud: Not really. Cherry Point and COVID.

Clark: Cherry Point?

Rud: We were going to have a convo last week but industry partners asked us to wait until January. If no other questions, we can go to REP updates.

Don: Quickly, the 3<sup>rd</sup> round of grants from Commerce was due Friday. First, \$50 million then increased to \$100 million. Commerce had small business grants in special categories, restaurants, gyms, music, bars, all of those things. They changed the process so they did not have to go through the ADO, it went through Commerce to a 3<sup>rd</sup> party. 25k applications in a week. Less than \$5 million revenue. Those are being processed right now. Unlike the original program, which was first come first serve, they broke down in terms of need. 8k applications in the first three hours. We know there's a lot of need.

For business and commerce: Harcourt has signed a lease with Korger, a German tech company. They have leased entire second floor of Granary and some additional space and they will be hiring 120 tech jobs. Good news to get some Waterfront moving, more tech jobs. One of his questions to Bob, is that a good thing, does that challenge Bob for employment? He's been very supportive of having competition, would love to hear his opinion on impacts on Faithlife, excited the waterfront will get a kick as well as some higher paying jobs coming to the market.

Then, we continue to close this year out. Broadband, we are working on a lot. Working on housing and daycare, childcare, and a number of things.

Gina: With the grant program, they are still having it open. They want to show the need to the federal delegations so we can get HEROES Act, even though they are giving priority to restaurants and bars. All businesses are encouraged to apply. We have requested to Commerce to get our distribution list. They are trying to distribute it equitably. King and Snohomish and Pierce are likely to get the most. The other thing Commerce is working on is to do some small dollar loans to provide access to capital to businesses that do not normally have access to capital. Affordable housing, the Port is working with the Whatcom Community Foundation on the waterfront on Millworks, which is an affordable housing project. That is something we are actively involved with.

Ken: Can you tell us which business sectors got the most of the grants? Where did it go?

Gina: To the food and beverage.

Don: Music venues, gyms. All of the industries forced to close. \$100 million in grants.

Gina: An additional \$30 million in loans.

Ken: And are most of those to restaurants and bars?

Gina: We do not have the numbers yet for 3.0. We can look for what is distributed already.

Ken: I just want to throw in there, the environment depressing all industries, including retail. If no one is going to restaurants, no one is going to retail. Just using the shutdown metric is one I think is necessarily good or appropriate. I'd like to see that defined differently.

Don: We can forward to the list of priorities from Commerce.

Ken: We looked at it. There were retail people I knew who didn't even bother applying because they felt it was so skewed.

Gina: Unfortunately, those decisions were made at the upper levels of Commerce. Encourage all to apply so that they can see the need and impact on all the industries.

Ken: The week they shutdown the restaurants, my wife got 5 customers in her restaurant the entire week.

Don: From what we understand on the next package. We believe it will be more similar to what we were working with before, impacted businesses not specific industries.

Rud: Wants to do a shout out, we got a report of the CARES Act funding by county and jurisdiction. It is stunning to me the number of counties who have invoiced zero to date. A lot have invoiced zero. Whatcom County has been aggressive at invoicing, which is why we've been able to spend additional monies. We can all contribute to making sure when there is more money at the front of the line.

Clark: What do you attribute it to?

Rud: Counties on East side are more likely to say, we shouldn't take the money. Maybe a lack of administrative capacity. Borders on gross negligence.

Clark: What happens to it?

Rud: It goes back to the state and the state is desperately trying to spend it because otherwise it goes back to the feds.

Don: Also there are some ADOs that have 1 staff person who do not have the capacity to spend it or come up with new programs.

Rud: Benton County, \$15 million, 1 spent, Pacific County, zero expenditures to date...

Clark: So Whatcom County?

Rud: We've spent everything. One thing we can do is to make sure we get our ducks in a line.

Don: The seven cities and county together worked well to spend the money and that had a really positive effect.

Clark: Debbie did you have a question?

Debbie: IT connectivity, I know you've been working hard on funding and processing. Do we have any sense of connectivity by school districts yet? How are they fairing?

Gina: We are due to do an update. Some of them are overwhelmed. With Zply and Comcast codes, we need to do an update. We know that approximately about 40% of the kids that expressed need have gotten connectivity. Just as of recently, they were able to get Comcast codes, so we hope this will increase by now. Those codes were funded by OSPI, kids could have 9.95 internet unlimited.

Debbie: That helps provide for low income students, affordable service plan. One of my clients in MBF, we are collateralizing a loan with pogo zone to get on Stewart Mountain, working on North County. There are a group of students really falling behind. Concerned about that.

Don: How can we expand the system as quickly as possible? We will be asking EDI fund for money to quicken the pace.

Clark: We are at 1204 trying to keep to time on the agenda. Sector updates and comments from the public. Flip that and see if we have comments from the public first, to make sure we have time. Roll call there.

Mauri or Guy, any comments? No comments.

Sector updates.

Bob?

Bob: Faithlife is doing well. I don't know much about the rest of the sector. If you do not intentionally reach out with a zoom call, you disconnect. We are becoming more distributed, this will probably stick. We've hired two new executives, one in Seattle, one in Colorado. WE are hiring software developers nationwide. We have no concerns where people are in the hiring and that will force to stay more remote even when we are back in the office. When half the team is remote in another state, meetings will still be on zoom. Long term changes I do not understand yet.

In terms of bringing other tech companies, that's great. Parents talk on soccer game sidelines. You gain and lose people. I'd like to see 5 Faithlife sizes companies in Bellingham. Supportive of that and if I can help in the recruiting or encouraging people to choose Bellingham or Whatcom COUNTY, we are all for that.

Don: You acquired another company?

Bob: We acquired a product line at two different companies. One we took over an office in PA, so now we have over 20 people in NE PA. So now PA, Mexico, we have satellite offices. In the other, they were all remote that we took over. About 15% headcount growth through those product acquisitions.

Debbie: Congrats!

Don: And that doesn't cause any housing issues! Andrew is not in the hospital, but very sick. He won't be able to do an update.

Debbie: I thought I'd just do a run down on hospital and payers landscape. As you look across the nation, there are 6100 hospitals, 24% investor own, 56% nonprofit, 7.8 million employees, hospitals are really, when you look at financials, very labor intensive, 60% revenue is government. What we would see as bad debt, they see as contractual allowance. Long term solvency is becoming an issue with nonprofits and rural facilities. 185,000 infections, 11 infections per hospital. Varies hugely by community. Estimated deaths is 375k by end of year, vaccine started today with healthcare workers. Hospital revenues are shrinking \$50billion a month, a lot that is cut backs to nonessential services, which interesting has very positive impacts to payer world. Some hospitals more hurt than others. Some CARES declined by for profit systems. ACU declined billions in CARES act. ¾ nonprofits it is not the same. She is on the board of a hospital going through bankruptcy, so hospitals are reducing operating costs, price transparency, digital environment, now with COVID, staff are concerned. Middle aged workers are at risk. 800 hospital workers have died.

Payer side. Health spending has gone down for the first time since the 1960s, that is expected to reverse next year as elective services and preventative care, people are not getting care that they need because they aren't going due to covid. Hits to earnings due to covid, but some are profiting. Year to date spending is down, that's even with increased spending for drugs. Payers are waiving copays to do with COVID. Spending on health services fell by 32%. Massive decrease in claims payments. Drop off and outpatient care and a lot of therapeutic care is not being accessed, people may return with worsened conditions due to lack of care. A lot of studies happening in these areas.

There's a lot of innovation. Social determinants of health is becoming a focus of payers. They have not directed funds back to communities. Social isolation, food, security, and the like. Pest control, meal delivery, innovative partnerships happening. Humana contact is working with Lyft, healthcare service component, transporting people to appointments. They also needed to be able to utilized landlines for elderly population. Delivery groceries and prescriptions. \$75 million in home tests and masks.

Another thing she is seeing from payers, Papa Pals, provides support to families and elders that has gone virtual, so they are connected to the internet. May not be able to come inside, but still connected. Interesting partnerships with small start ups and large payers. Pre COVID, one of the United Senior vets who did a presentation on food security and isolation issues. They recommend members take on services so their claims

are going down. How does that transfer to the community services? They would be happy to provide data on how efficient and effective those services are. A lot of work to be done still. Some silver lining has shown the huge discrepancy on gaps between have and have nots. Good news is movement large for profits are starting to address issues and pay for members. Hope on the horizon.

Clark: Any questions?

Rud: I'm worried about burnout from County Health staff and St Joe's staff.

Debbie: It's huge. Behavioral health is a top priority from payers and big firms like United and Humana. Was on a conference call with 150 from business leaders in health, a lot of the focus was on stress, burnout, what does recovery actually look like? Some discussion around zoom free days. It is difficult for people to do self-care, the need for employers to really call this out and make the concept mental health is as important as physical health. It is something that has to be normalized. More check in calls. Larger employers were talking about as they are managing a remote workforce, someone who took on 75 employees and hasn't met any of them because they were hired and assigned remotely. It is hard to pick up on underlying issues or health problems with your employees. Not a lot of big answers but a lot of small answers.

Rud: If you find anything that talks about how to protect healthcare workers, please share with us

Debbie: I will

Don: I want to provide an alternative to St Joe's in North County. Do you think with all the changes in healthcare, that hospitals will grow? Or will there be a shrinkage?

Debbie: Hospitals have good leaderships and will survive. I'm also a realist, in part nonprofit status is a tax status and it is not a business model. It is benefited by tax status. And the community should benefit as such. You will always see issues hospitals are struggling with, our country needs to be in a much more value based approach to healthcare, much better way to engage the consumer voice to find out that some of these problems are isolation. It is not diabetes or others. It is a mental health issue or an impact to survive. We've seen the suicide risk higher than ever. We've seen it across the board. Hospitals and payers have to adapt to that. It is not an easy transition. Some good changes going on with EMR. It would be so much easier to rewrite the healthcare system from scratch.

Clark: Quick update. Macro numbers. 77-88\$ billion industry. Outdoor industry is 5.2 million jobs in terms of direct employment. On GDP, that's \$459 billion, 2.1% of total GDP, at a state level it ranges. In WA, that's 2% of GDP, with direct employment 201k, 22.6 billion consumer spending. 7.6 billion is payroll, 2.3 billion in state revenue. 2013 numbers. What I'm hearing in terms of how business is happening this year, I was listening to an analyst in the industry and compared it to Tale of Two Cities, best and worst of times. I think it is different for what everyone planned. If you are in an accessible price point hard goods category that is readily available, people are replacing a lot of travel monies with gear monies. Air BNB and VRBO numbers are up within a couple hundred miles of travel from home. If relying on flights, those numbers are way off.

Similarly, certain sectors, in production, we were chugging along at a nice growth clip through mid-March and dropped straight off. Both production and sales. We were anticipating at Gearaid a potential loss of 20-30%, what do we do with expenses and everything else? A lot of people did the same, pumped the breaks on the supply chain. REI, MEC, some large chain stores, some of our biggest customers were closed and furloughing employees, that was a dark moment. But what we saw that the bounce we got was faster and it was also not even throughout the industry.

High price point apparel people want to go in store to try on. They'd be reluctant to buy online.

Casual apparel got hit harder. If product was available, need driven or want driven in good price categories.

Cogslands is the go to brand for marshmallow roasting sticks to all sorts of small accessories. They sell in everything from REI to Walmart. Business was up 65% over last year. Heard from apparel companies it has been below plan and below last year. Everyone else hasn't seen it as much. If you are doing tents, sleeping bags, kayaks, you are on waiting lists to get more of that product. Transition and Evil Mountain Bikes, they are already sold out of their bikes. Opening price point is \$5k. Edyline Kayaks in Skagit, they had same experience, they were worried, right at the beginning of their major shipping season. Then everyone realized it was a good way to social distance, out in a boat, by yourself. Their production line is sold out until September of next year. If you haven't put in an order, you won't see a kayak from them 2022.

Don: Home workout equipment is in that category too.

Clark: The industry is doing better than the rest of broader economy because of the kind of products they make and sell. And the retail in many of those places was considered essential, bike shops are considered essential, gun business has gone completely nuts. A lot of sporting goods places from Academy Sports, just released their numbers. Hard to tease out how much of the industries is being impacted by a rush on guns and ammo in an election year and how much is about getting outside in a healthy way during covid. I was looking at business being off by 20-30%, we will probably finish level to last year. We may end up 3-5% below original budget plan.

Clark: 12:33, any other topics before we close? Otherwise motion to adjourn.

Sarah: Can we add the housing crisis as a standing item on the agenda? We are in a crisis that affects every topic that we talk about. Pete, Troy should be at the meeting with planners.

Rud: One of the things I want to do next year, is to do a joint thing with COB, to talk with staff, to see what governments CAN DO to change the housing environment. My understanding is that we are heavily constrained. What are the other questions you want to add to that process?

Don: We have a housing sub-committee, so we can work on that.

Clark: if no further issues, a motion to close. Seconded by Sarah.

Meeting adjourned at 1235.