

## Budget Planning Assumptions

The 2009 King County Budget is built using the following assumptions:

**Salaries.** In the face of the severe fiscal challenges facing King County's General Fund, as well as other funds such as Transit, Public Health and County Roads, the 2009 Executive Proposed Budget includes savings assumptions tied to salary costs. A vast majority of county labor contracts provide annual Cost of Living Allowances (COLA) for employees based on 90 percent of the September-to-September CPI-W, with a floor of 2 percent and a ceiling of 6 percent. Based on this formula, the COLA for 2009 is forecast to be 5.5 percent. In addition, many county labor contracts also provide for an annual merit step increase of 2.4 percent.

Traditionally, non-represented employees receive annual COLA and merit increases based on the same guidelines as defined in most labor contracts. Given the significant challenges facing the General Fund and many other county funds, the 2009 Executive Proposed Budget caps COLA increases at 3 percent for non-represented employees in 2009. In addition, the 2009 Executive Proposed Budget does not provide funding for merit increases for non-represented employees. Together these changes save \$5.1 million in the General Fund and \$5.2 million in other county funds in 2009.

For the county's represented workforce, the County Executive is engaged in talks with county labor union representatives about various strategies that could save the county money and help close the 2009 General Fund deficit. The County Executive has set a financial target for savings from represented employees relying on the same methodology used to determine the target savings for non-represented employees. This will generate \$8 million in General Fund savings in 2009 and \$7.1 million in savings to other county funds in 2009. While final agreement between the County Executive and county bargaining units may contain additional strategies, this amount is the savings level needed to balance the 2009 Executive Proposed Budget.

**Medical Benefits.** The county has a flexible benefit package which offers employees several options for coverage and providers. All of the benefit costs are accounted for in the Employee Benefits Fund, which then recovers its costs through a single standard monthly rate charged to agencies for each eligible employee. The standard rate charged in 2008 was \$1,142 per employee per month. The standard rate for the 2009 Proposed Budget is \$1,171 per employee per month, a 2.5 percent increase over 2008. In 2009 Employee Benefits anticipates implementation of the Sheriff Deputy Healthy Incentives plan. The Sheriff Deputy Healthy Incentive plan standardizes administration of the Sheriff health benefit plans and anticipates that most Sheriff Deputies will become part of the self-insured pool.

**General Fund Underexpenditure.** In the 2009 Proposed Budget, the required underexpenditure rate for General Fund agencies is equal to 2 percent of expenditures that are not backed by specific contractual revenues. 1.5 percent of the required underexpenditure has been reduced from GF operating budgets to directly budget for assumed underexpenditure levels. A remaining central contra of one half of one percent is held in the GF Financial Plan, for a total assumption of 2 percent. Departments are expected to manage their appropriations to achieve the underexpenditure.

Given the magnitude of the General Fund financial challenges resulting from the structural imbalance between the growth rate of revenues and expenditures, combined with the consequences of the most severe economic downturn in recent history, the General Fund faces a \$93.4 million deficit for 2009. Because of the structural nature of the imbalance, additional General Fund deficits of \$40.8 million and \$62.3 million are projected for 2010 and 2011 respectively. Given the severity of the financial challenges it faces, King County cannot continue to sustain existing programs and services that are vital to the citizens of King County. The 2009 Executive Proposed Budget identifies and prioritizes reductions in

## **BUDGET PLANNING ASSUMPTIONS**

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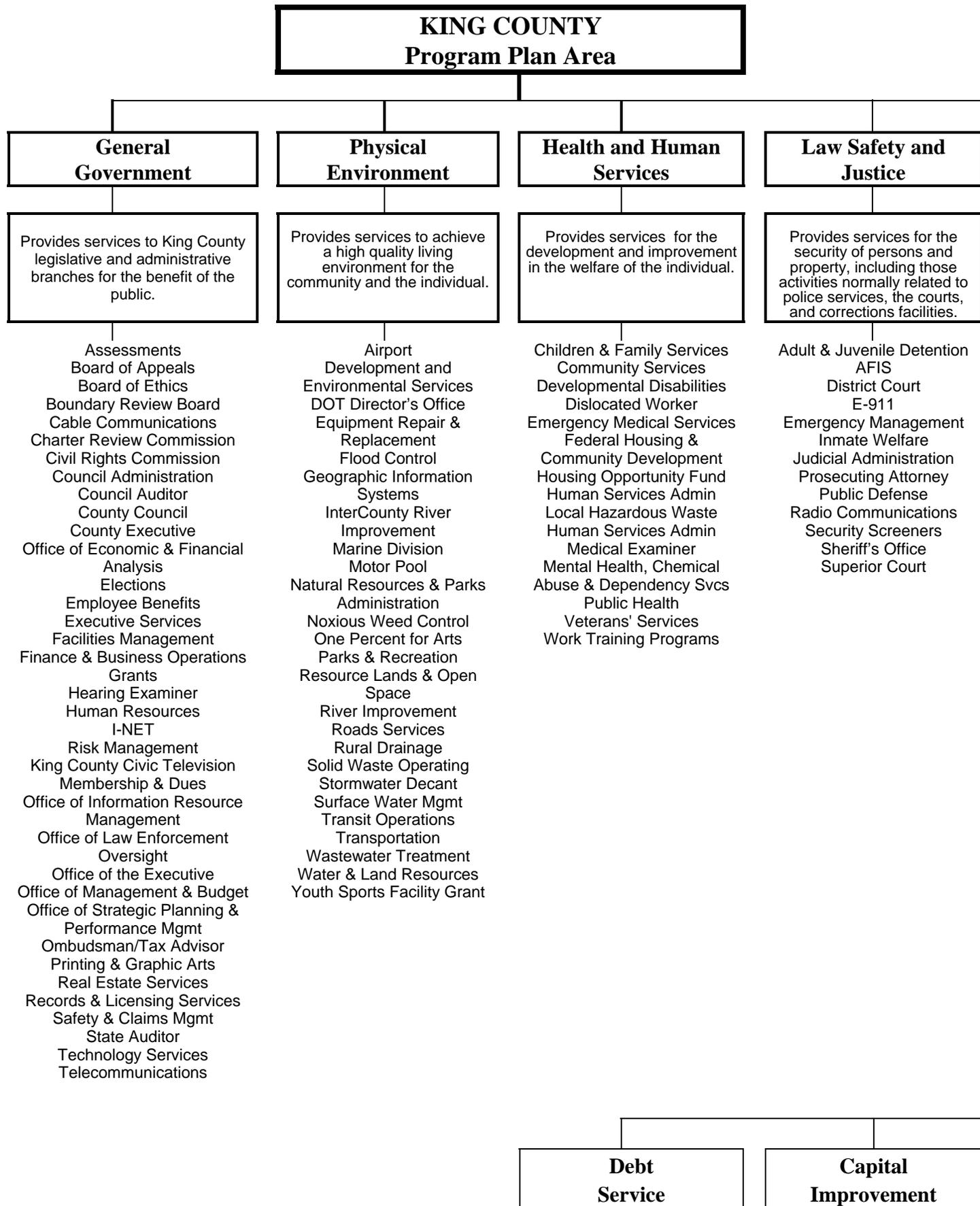
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services that will have minimal impact on services provided to citizens. These efforts have resulted in the identification of \$38.2 million in permanent, on-going efficiencies and program reductions. Additionally, \$5.7 million in reductions are attributable to cost savings from internal service fund and overhead charges. Savings in labor costs provide another \$13.1 million towards closing the deficit.

After making these reductions, little remains in the way of additional opportunities for efficiencies or program reductions that have minimal impacts on the services the county delivers to the community. So, the county is left with little choice but to recommend for reduction or elimination programs that directly impact the health, safety and well-being of King County residents.

In recognition of the fact that King County must make every effort to preserve these programs that provide valuable services to our citizens, the 2009 budget places \$10.5 million of programs in a “lifeboat” for six months. For the first six months of 2009, these programs will be supported using one-time funding that was set-aside in the 2008 adopted budget in the ‘out-year deficit’ reserve. This strategy will allow the county to work with the Washington State Legislature during the 2009 legislative session to craft a solution that would provide King County – and all other counties across the state who are suffering from the same structural imbalance – with the flexibility and revenue options required to sustain these basic and important services over the long term. If the State Legislature fails to provide viable solutions to Washington State counties, King County will eliminate the funding for the programs in the lifeboat effective July 1, 2009.

**BUDGET PLANNING ASSUMPTIONS**



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**Summary Comparison of 2009 Appropriations by Program Category  
All Resources**

Program Category	2007 Adopted	2008 Adopted	2009 Proposed	2009 - 2008 \$ Change % Change	
General Government	503,855,916	544,057,634	555,707,200	11,649,566	2.1%
Physical Environment*	953,079,285	1,656,973,603	1,713,868,258	56,894,655	3.4%
Health and Human Services	497,249,972	560,410,330	624,530,741	64,120,411	11.4%
Law, Safety and Justice	483,067,595	510,420,616	510,155,745	(264,871)	-0.1%
<b>Total Operating</b>	<b>2,437,252,768</b>	<b>3,271,862,183</b>	<b>3,404,261,944</b>	<b>132,399,761</b>	<b>4.0%</b>
Debt Service	353,087,586	368,259,121	374,975,600	6,716,479	1.8%
Capital Improvement*	1,066,805,896	1,096,276,673	1,114,316,628	18,039,955	1.6%
<b>TOTAL</b>	<b>3,857,146,251</b>	<b>4,736,397,978</b>	<b>4,893,554,173</b>	<b>157,156,195</b>	<b>3.3%</b>
<b>Non-Categorized</b>					
CF Fund Transfers	72,236,438	69,850,263	58,953,287		
Sales Tax Contingency	4,873,387	5,599,243	-		
Children and Family Services Double Count	7,764,298	8,012,239	-		
Other Fund Transfers	40,799,968	38,074,769	51,646,744		
Risk Abatement	1,151,352	1,302,417	750,000		
Transit CIP Transfer to Operating*	66,535,850	61,076,000	61,076,000		
Total Non-Categorized	193,361,293	183,914,931	172,426,031		
<b>Grand Total</b>	<b>\$ 4,050,507,543</b>	<b>\$ 4,920,312,908</b>	<b>\$ 5,065,980,204</b>		

\*Includes 2008/2009 Biennial Budget for Transit and Transit CIP, and incremental changes for 2009.

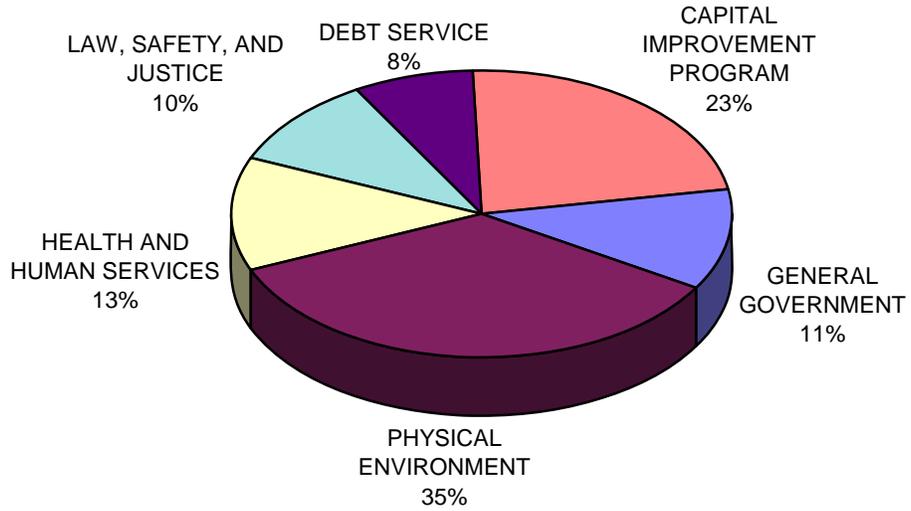
**Summary Comparison of 2009 Appropriations by Program Category  
for the General Fund**

Program Category	2007 Adopted	2008 Adopted	2009 Proposed	2009 - 2008 \$ Change % Change	
General Government	102,410,934	109,289,835	106,120,629	(3,169,206)	(2.9%)
Parks/DDES	6,972,363	6,312,729	4,602,318	(1,710,411)	(27.1%)
Health and Human Services	45,510,313	48,874,506	40,218,741	(8,655,765)	(17.7%)
Law, Safety and Justice	441,059,858	470,614,825	467,271,625	(3,343,200)	(0.7%)
GF Transfers to CIP	15,895,540	12,068,669	12,902,695	834,026	6.9%
Other Agencies	10,202,407	11,589,146	12,088,180	499,034	4.3%
<b>Total General Fund*</b>	<b>622,051,415</b>	<b>658,749,710</b>	<b>643,204,188</b>	<b>(15,545,522)</b>	<b>(2.4%)</b>
<b>Subfunds to the General Fund</b>					
Sales Tax Reserve Contingency	4,873,387	5,599,243	-	(5,599,243)	(100.0%)
Children and Families Set-Aside	21,825,288	21,913,265	-	(21,913,265)	(100.0%)
Inmate Welfare	931,134	932,450	930,559	(1,891)	(0.2%)
<b>Total General Fund</b>	<b>\$ 649,681,224</b>	<b>\$ 687,194,668</b>	<b>\$ 644,134,747</b>	<b>\$ (43,059,921)</b>	<b>(6.3%)</b>

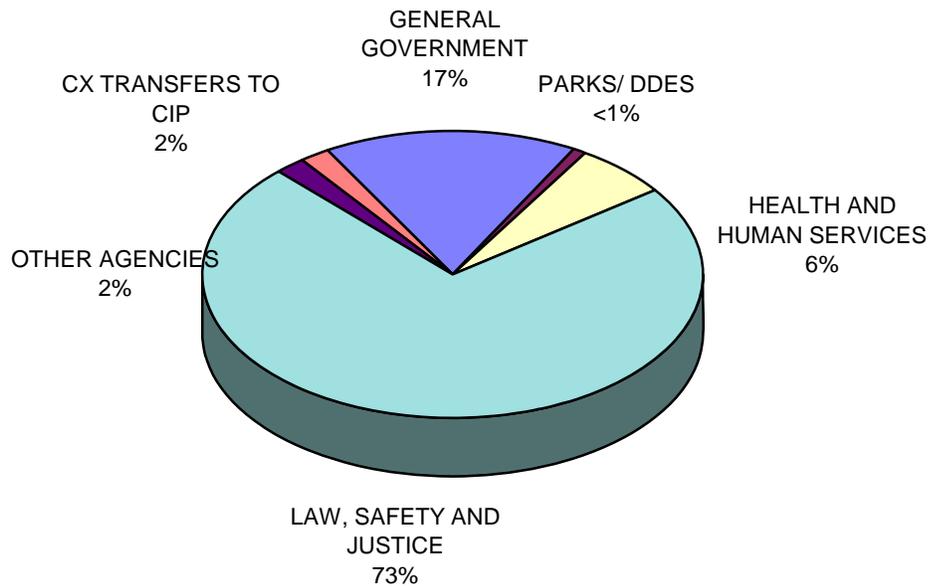
In 2009, Sales Tax Reserve and Children and Families Set-Aside were established under new funds.

The General Fund chart and the General Fund Financial Plan are reconciled by adding back the underexpenditure of \$2,798,814 and 2008 proposed supplemental activity that has 2009 impacts of \$2,452,005 for a total of \$643,787,938 or \$644M for pie chart.

**Distribution of 2009 Expenditures by Program Category  
All Funds \$4.9 Billion**



**Distribution of 2009 Expenditures by Program Area  
General Fund  
\$644 Million**

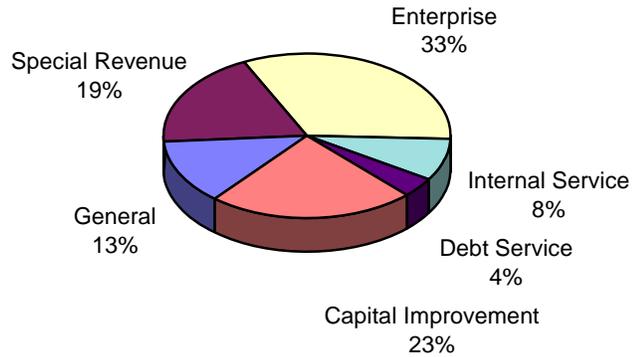


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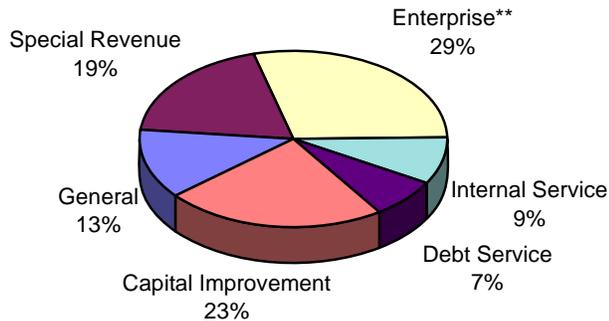
**2009 Expenditures, Revenues and FTEs  
by Fund Type**

<b>Fund Type</b>	<b>Revenues</b>		<b>Expenditures</b>		<b>FTEs</b>	
General	639,041,266	13%	644,134,747	13%	4,444	32%
Special Revenue	944,890,790	19%	979,565,450	19%	3,283	24%
Enterprise**	1,638,523,357	33%	1,461,380,877	29%	5,294	38%
Internal Service	425,165,346	8%	430,530,901	9%	884	6%
Debt Service	185,455,891	4%	374,975,600	7%	-	0%
Capital Improvement* **	1,175,392,628	23%	1,175,392,628	23%	-	0%
<b>Total All Funds</b>	<b>5,008,469,278</b>		<b>5,065,980,203</b>		<b>13,904</b>	

**Revenues**



**Expenditures**



\*Figures may not add to 100% due to rounding.

\*Includes CIP Transfer to Operating

\*\*Special Revenue and Capital Improvement Funds contain 2008/2009 Biennial Budgets. For 2009, biennial budgets include supplemental increases for mid-biennium review.