



King County

Ron Sims
King County Executive

October 13, 2008

Honorable King County Councilmembers
And the People of King County

I am pleased to transmit my proposed 2009 budget for King County government to the Metropolitan King County Council for its consideration. The 2009 budget was particularly challenging to develop given the significant financial issues affecting the General Fund, as well as other county agencies, particularly Public Health — Seattle & King County, the Road Services Division, the Transit Division, and the Water and Land Resources Division. The result of the intense and thoughtful effort to prepare the 2009 Executive Proposed Budget is a delicately balanced budget, but a budget that preserves to the best extent possible the services that are important to the quality of life in our region. The 2009 Executive Proposed Budget also includes a strategy designed to provide the county with the resources and flexibility necessary, over the long term, to overcome the structural imbalance between revenues and expenditures that has plagued the General Fund.

King County's General Fund faces the largest single-year deficit in county history as a result of the structural imbalance between the growth rate of revenues and the growth rate of expenditures. This structural imbalance is exacerbated by the turmoil in world financial markets and the impacts of that turmoil on county revenues and expenditures. Since the adoption of the 2008 budget which forecast a 2009 General Fund budget deficit of \$24.7 million, the projected deficit has grown to \$93.4 million as the deepening global financial crisis deepened. This dramatic downturn in the economy magnified the General Fund structural problem as forecast sales tax and interest earnings deteriorated and the costs of providing services increased due to rising inflation.

As I present this budget to you today, I have taken the steps necessary to balance the projected \$93.4 million dollar deficit in the King County General Fund in 2009. While significant actions have been taken at the federal level in an attempt to shore up financial markets and reverse the ominous economic trends we see every day, there is no guarantee that these actions will be successful in the short run. Further deterioration in world economic conditions is possible and could put the proposed budget out of balance for 2009. As a result of this uncertainty and volatility, I have directed staff to be appropriately cautious in estimating revenues as they assembled the 2009 Executive Proposed Budget. Such caution is more than warranted in these uncertain and volatile times and I ask the County Council to join with me in continuing to demonstrate a fiscally conservative and responsible approach to this budget.

To close the 2009 deficit, I am proposing a number of steps that recognize the fiscal realities we face, while at the same time preserving to the greatest extent possible those programs and services that are vital to our citizens. To that end, the budget I propose to you today balances the General Fund using all one-time reserves in the General Fund, including the balance of the 'outyear deficit reserve' established in the 2008 adopted budget. In keeping with sound financial practices, however, I have left intact the six percent General Fund undesignated fund balance and the Rainy Day Fund of \$15 million. Even with the use of reserves to balance the budget, we must still take other steps to close the gap. The sections that follow briefly outline the other steps taken to balance the 2009 Executive Proposed Budget while meeting the twin goals of financial prudence and service preservation.

Permanent General Fund Budget Reductions

The budget instructions I sent in May asked each county agency to go through a rigorous belt-tightening and prioritization exercise to identify potential permanent budget reductions. Central to this exercise was an emphasis on maintaining direct services to the public and reducing overhead. As a result of this exercise, agencies identified \$38.2 million in permanent ongoing savings. Included in the \$38.2 million is \$21.3 million from cost savings measures for administrative costs and technology efficiencies. These reductions reflect the prioritization of administrative reductions over direct service reductions and will have manageable implications on services provided to the residents of King County. Additionally, \$5.7 million in reductions is attributable to cost savings from internal service fund and overhead charges.

Even with these permanent reductions in place, the county still faced a significant deficit in the General Fund and additional actions were required. I have taken those actions, and while these actions are painful, they are necessary. The budget I deliver to you today is the result of difficult yet responsible decision making. We have honored the public's trust.

Employee Compensation Savings

As a service delivery organization, a significant portion of King County's expenses are related to the people we employ to provide those services. The county's policy has always been to treat our employees with respect and dignity and to provide them with a living wage and generous benefit package. A vast majority of county labor contracts provide annual Cost of Living Allowances (COLA) for employees based on 90 percent of the change in 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. In these trying times, the county must look to its employees to be part of the solution to the deficit problem. As a result, I have included in the 2009 proposed budget savings assumptions tied to salary costs.

First, non-represented employees traditionally have received annual COLA and merit increases based on the same guidelines as defined in most labor contracts. However, the 2009 Executive Proposed Budget caps COLA increases for non-represented employees at 3 percent in all county agencies. 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.

And second, for the county's represented workforce, I have 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 final recalculation using the same COLA and merit methodology used for non-represented employees, created a target of \$10 million in reductions from unions in 2009. However, it will be challenging to identify and negotiate such targeted savings in time to accumulate an entire year's worth of savings in 2009. Therefore, I have conservatively included in the proposed budget a financial assumption for savings from represented employees of \$8 million in the General Fund and \$7.2 million in all other county funds. I am engaged in discussions with county labor leaders to identify strategies for achieving these savings. While the exact nature of the strategies that will generate these savings has not yet been agreed upon, this amount of savings is essential to balancing the 2009 Executive Proposed Budget. My discussions with labor to develop a plan to meet this total \$15.2 million target are ongoing.

Lifeboat Strategy

The cumulative impact of the structural imbalance in the growth rate of revenues, as defined and limited by state law, and costs of doing business has resulted in a situation where King County cannot continue to sustain existing programs and services. Since 2002, King County has gone through a number of reduction and prioritization exercises, resulting in a lean and efficient government. To close the \$93.4 million 2009 deficit, King County has gone through the same exercise yet again. As noted above, the process has resulted in the identification of \$38.2 million in permanent efficiencies and program reductions. Additionally, \$5.7 in reductions is attributable to cost savings from internal service funds and overhead charges. Savings in labor costs provide another \$13.1 million toward 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, I am left with little choice but to recommend for reduction or elimination programs that directly impact the health, safety and well-being of residents in our community.

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. The "lifeboat" term was coined by Prosecutor Dan Satterberg who correctly recognized that this strategy was designed to give these programs a chance to be saved.

For the first six months of 2009, these 'lifeboat' programs will be supported using one-time funding that was set aside in the 2008 adopted budget in the 'outyear 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. The lifeboat strategy creates the opportunity for these solutions to be identified by the state Legislature to be in place by June 30, 2009. King County would then use these additional tools as necessary to save these lifeboat programs in the second half of the year.

Should the state fail to provide counties with the necessary tools, the funding for the programs in the lifeboat expire and these programs are eliminated, effective July 1, 2009. Furthermore, additional reductions in direct services would be required for 2010 and beyond to address the ongoing deficits that will result from the continued structural imbalance in revenues and expenditures.

Programs and services which have been placed in the lifeboat will be eliminated effective July 1, 2009 in the event that we are unable to develop an adequate toolkit to address the structural deficit problem. The lifeboat includes programs and services spanning the entire spectrum of General Fund agencies. The Executive Summary to the 2009 Executive Proposed Budget contains a complete listing of the programs and services included in the lifeboat. Below is a summarized listing of those programs:

- \$4.9 million in Law, Safety, and Justice agencies, including:
 - \$0.9 million in the Department of Adult and Juvenile Detention including closure of street booking at the Maleng Regional Justice Center, and closure of the Community Center for Alternative Programs
 - Termination of Adult Drug Diversion Court and Mental Health Court
 - Elimination of Domestic Violence Prevention Program in the Department of Judicial Administration (DJA)
 - Closure of the 4th Avenue entrance to the King County Courthouse
 - \$3.3 million in contras in DJA, the Sheriff's Office and Superior and District Courts
- \$4.7 million in Health and Human Services agencies, including:
 - \$2.3 million in reductions in the Department of Public Health – Seattle & King County, including closure of the White Center Family Planning Clinic, Northshore Clinic and the child health care program; reductions in Public Health's tuberculosis, zoonotics, immunization, Sexually Transmitted Disease, drinking water, and children with special healthcare needs programs; reductions in staffing in the Medical Examiner's Office, and closing the North and Columbia Family Planning Clinic
 - \$2.4 million in reductions in the Department of Community and Human Services, including \$1.6 million in reductions in community service programs and reductions in housing, substance abuse, and technology courses for at-risk youth
- \$0.9 million in General Government agencies, including:
 - Closure of the winter homeless shelter program, elimination of supported crew programs, reductions in custodial, HVAC and lighting operations in county facilities
 - \$0.4 million contra in the Department of Assessments
- \$0.3 million in Physical Environment agencies, including
 - Closure of the Evergreen Pool
 - Reductions in support for the Agriculture and Forestry Commissions

In total, almost \$10.5 million in county programs and services have been funded for the first six months of 2009. On an annualized basis, these programs cost approximately \$21 million. As previously noted, in the event that we are unable to develop an adequate toolkit, funding for these programs will permanently expire; effective July 1, 2009.

The 2009 Executive Proposed Budget contains a number of initiatives which are highlighted below.

Space Moves

As I announced on October 6, 2008, I have included in the proposed budget a significant cost saving proposal related to maximizing use of county-owned facilities and consolidating certain functions into the county's new Chinook Building. Specifically, the building's vacant 8th floor would be put to use and leases for space in the Columbia Center would be terminated this December under the proposal. Legislation to authorize movement of the Office of the Executive, the Office of Management and Budget (OMB), Business Relations and Economic Development (BRED) and the administration of the Department of Executive Services has been transmitted to the council for its consideration as a part of its review of the 2009 budget. If approved by the council, these moves will result in a net \$3.88 million in savings over five years. This proposal includes termination of the lease for 26,000 square feet of space on the 20th and 32nd floors of Columbia Center and moving into a similar amount of space on the 8th floor of the Chinook Building. The \$3.88 million net savings (after moving expenses) from this proposal would include \$2.05 million savings in the General Fund over five years.

As I noted in my October 6th announcement, the Executive Office must give notice by November 30 to Columbia Center that it is terminating its lease, which is why I have transmitted the ordinance enabling the move ahead of my 2009 Executive Proposed Budget.

Office of Strategic Planning and Performance Management

The significant fiscal challenges faced by King County highlight the need for even greater strategic management focus at the countywide level. The 2009 Executive Proposed Budget includes the creation of a new Office of Strategic Planning and Performance Management (OSPPM) within the King County Executive Office to meet this need. At the same time, the Office of Business Relations and Economic Development will be dissolved and its staff and functions moved into the new office. The new office will facilitate the county's broad-based effort to provide effective implementation of countywide initiatives including strategic planning and performance management called for by the council-adopted Performance and Accountability Act. OSPPM will also provide a refocused approach to governance transition activities previously carried out through the Annexation Initiative.

OSPPM will have a focused mission to support strategic innovation, sustainability and accountability across county government while consolidating the functions of (BRED) and certain functions currently housed within OMB.

OSPPM will take primary responsibility for the following areas:

- Countywide strategic planning as articulated in the Performance and Accountability Act
- Regional growth management planning and evaluation responsibilities
- Regional and unincorporated area economic development strategies and programs
- Rural service and economic development planning and implementation
- Preservation of historical structures and landmarks with the unincorporated area of King County
- Governance transition efforts for the urban area formerly undertaken through the Annexation Initiative
- Agency and system oriented planning efforts such as operational master plans and strategic planning support for the criminal justice system
- KingStat, the Executive's county performance measurement system.

In addition, OSPPM will be a key coordinator of initiatives cutting across county departments such as the Climate Change Initiative, the Equity and Social Justice Initiative, the Community Enhancement Initiative, and the Rural Strategy. The proposed office will consolidate staff from BRED and OMB. The combination of these existing resources into a single unit provides for a streamlined, focused agency with sufficient resources to undertake a broad range of responsibilities.

The creation of OSPPM offers operational efficiency at a time of significant financial stress. The combination of these existing resources into a single unit provides for a streamlined, focused agency with sufficient resources to undertake a broad range of responsibilities. Through this configuration, efficiencies are found that allow for the reduction of 3 FTEs and 1 TLT, as well as savings in various Executive office operating budget accounts that total over \$830,000 for 2009.

Refocusing the Annexation Initiative, Spending the Annexation Reserve

To help offset the General Fund deficit while still preserving King County's Urban Growth Area (UGA) park facilities, the 2009 Executive Proposed Budget assumes the remaining Annexation Initiative (AI) reserve will be re-purposed and used in support of Parks and Recreation facilities in the UGA. The Annexation Initiative itself will be refocused as one responsibility of the newly created OSPPM. The approximately \$7.74 million in the AI reserve will be used to support UGA parks for the three year period, 2009 through 2011, at which point the reserve will be entirely spent. An initial transfer of approximately \$2.3 million in 2009 is identified in the proposed budget in support of nearly 40 important UGA facilities, including such popular facilities as the Steve Cox Memorial and White Center Heights Parks. Maintaining the UGA parks using support from the county's AI reserve in the General Fund will promote healthy and safer urban area communities by maintaining secure recreational opportunities and promoting the eventual transfer of these facilities to local jurisdictions. Using the AI money to maintain UGA parks over the next three years allows King County to continue to promote the annexations of these areas. Rather than mothballing these facilities, the AI reserve will allow the county to maintain these facilities for ultimate transfer to the annexing cities. If the areas annex, well-maintained parks will be available for transfer to the annexing city.

Finally, and most importantly, preserving these parks for the next three years keeps faith with King County voters who last year passed two parks levies with the expectation that county parks would be maintained and improved. If after three years these areas have not annexed, King County will be left with no choice but to close these parks.

Automated Fingerprint Identification System (AFIS) Levy Reduction

The 2009 Executive Proposed Budget lowers the AFIS property tax levy rate by 2/10ths of one cent per \$1,000 of assessed value. The AFIS fund was designed to build up significant reserves in 2007 to ensure that there was sufficient cash to cover large project expenditures early in the levy period. Sufficient fund balance has accumulated to support future projects and the rate can now be lowered to meet status quo operations. This rate reduction ensures AFIS does not collect more taxpayer money than it needs and does not endanger the AFIS fund's ability to meet the goals identified in the AFIS Levy Plan.

Prosecuting Attorney Filing Standards Changes

In response to the fiscal crisis facing the General Fund in 2009 and the budget instructions sent to county agencies earlier this year, the King County Prosecuting Attorney, exercising his prosecutorial discretion, has revised the Filing and Disposition Standards (FADS) to increase the threshold for certain felonies.

Under the revised FADS, effective as of October 6, 2008:

- Property crimes with a loss of value under \$1,000 will remain with the cities to be filed as misdemeanors (approximately 1,250 total cases per year)
- Property crimes with a loss of value between \$1,001 and \$5,000 will be filed in King County District Court as expedited gross misdemeanors (approximately 800 total cases per year)
- Drug possession cases where the amount is for personal use will be filed in King County District Court as expedited gross misdemeanors (approximately 2,100 total cases per year)

The revised FADS will result in significant savings in the Office of the Public Defender (OPD) as a result of the difference between the cost of a felony credit and a misdemeanor credit. District Court's decision to handle the expedited gross misdemeanor cases on consolidated calendars enables defense agencies to staff them on a calendar basis, leading to an additional savings.

I want to extend my appreciation to the Prosecutor for developing this innovative approach to assisting the county in dealing with the 2009 fiscal crisis. While we all have concerns about the impact of the reductions we have been forced to make, the Prosecutor has demonstrated his leadership and his willingness to make hard decisions in a difficult environment.

Four-Day Work Week Pilot

As a part of our ongoing efforts to improve the efficiency of county operations and to achieve a variety of other benefits, the 2009 Executive Proposed Budget includes a proposal for a pilot program to test the use of four-day work weeks for county operations. This pilot project will be

implemented at the Black River facility in Renton, which houses the Department of Development and Environmental Services (DDES) and some staff from the Assessor's Office and Public Health. This proposal carries forward my priorities of environmentally- and employee-friendly policies by shifting to a four-day work week, ten hours per day allowing for the closure of the Black River facility one day per week resulting in savings associated with the maintenance and operation of the facility, as well as savings to employees through one less round-trip commute per week. DDES will offer extended hours of service to the community Monday-Thursday. Friday is typically a light day in terms of customer use of the facility. If successful, this program may be expanded to other agencies and facilities in 2009 and beyond.

Overhead Cost Savings

Several of the General Government agencies are internal service funds (ISFs) that recover the costs of their operations by charging other county funds for services provided. Reflecting the County Executive's commitment to creating an efficient government and making administrative reductions before direct service reductions, ISF agencies have proposed efficiencies and reductions resulting in charges to General Fund (GF) agencies that are \$5.3 million less than originally anticipated for 2009. Charges to all Law, Safety and Justice agencies are reduced by \$3.9 million, and charges to Health and Human Services agencies are reduced by \$1.1 million.

ISF agencies in 2009 are facing constrained resources in the General Fund as well as other county funds, increased healthcare expenditures, and the management of technology investments. These agencies are reducing their costs in 2009 by increasing collaboration between ISFs and client agencies to understand and control cost drivers for services; realigning existing budgeted resources to respond to current business needs; and prudently using rate stabilization reserves or funds to mitigate or smooth out rate increases.

One good example of these reductions is Safety and Workers Compensation. The efforts to reduce workers compensation costs have been very successful in decreasing the claims costs in each of the last three years. A number of successful cost reduction programs have been initiated, including the 'return-to-work' programs negotiated in collaboration with management and labor. By way of example, one successful 'return-to-work' program seeks to identify light-duty assignments when appropriate for eligible employees, reducing workers compensation costs and providing King County agencies with resources to address workload demands.

Department of Corrections Contract Increases

The budget instructions provided to county agencies to guide how they prepared their 2009 budget requests emphasized that target reductions could be satisfied through expenditure reductions or revenue increases or a combination of the two. In preparing its 2009 budget request, the Department of Adult and Juvenile Detention (DAJD) used both approaches, including a proposal to significantly increase revenues through contracting with the Washington State Department of Corrections (DOC). In 2009, DAJD will increase the contract cap for DOC inmates by 225 Average Daily Population (ADP), bringing the total cap to 445 ADP. The new agreement includes variable rates to cover the higher cost of specialty medical and mental health care services associated with some inmates above an established base. The agreement will be for 2009 and will likely be extended in 2010, assuming sufficient jail capacity is available. The new contract will generate over \$7 million in new revenues which will be partially offset by expenses

associated with the new inmates. The contract increase enabled DAJD to avoid making reductions in its mandated detention services.

Creating Jail Efficiencies Accountability

Creating efficiencies and holding agencies accountable for realizing those efficiencies should be one of the cornerstones of responsible financial policies. To that end, the 2009 Executive Proposed Budget introduces this concept forcefully through the creation of an appropriation unit to facilitate the potential savings associated with those efficiency efforts. In its 2009 budget proposal, Superior Court proposed taking a leadership role in finding criminal justice system efficiencies that will lead to savings in county jails. While the court will not change substantive incarceration or detention practices based on the budget crisis, it will work to find system wide efficiencies. To that end, the 2009 Executive Proposed Budget includes an appropriation unit with an appropriation equivalent to the half-year difference in cost between a double-bunked unit and a single-bunked unit at the Maleng Regional Justice Center (MRJC) and the savings from the closure of one boys unit at the juvenile detention facility. Both the Superior Court and Department of Adult and Juvenile Detention budgets have been reduced by the amount of the new appropriation unit.

This Jail Efficiencies appropriation unit will provide a means to hold Superior Court and DAJD accountable for the proposed efficiencies. If Superior Court implements or facilitates the implementation of process efficiencies that result in savings for the jail, then it will post expenditures equivalent to those savings to the Jail Efficiencies appropriation unit, effectively restoring its budget reduction. If Superior Court does not implement process efficiencies resulting in jail savings, it will have to find savings within its base budget and DAJD will post expenditures to the Jail Efficiencies appropriation unit to restore operating budget for unrealized efficiency savings.

I want to extend my appreciation to Superior Court for taking the lead in the effort to identify criminal justice system efficiencies that will lead to budget savings in this time of fiscal crisis.

Mental Health and Drug Dependency

The 2009 Executive Proposed Budget fully implements the programs funded by the 1/10th of 1 percent sales tax imposed in April, 2008, to support new and enhanced mental health and drug dependency programs. In total, over \$58 million is appropriated for a variety of new and expanded programs, including increased community based care programs, programs targeted to help youth, jail and hospital diversion programs, and programs supporting housing and housing development.

Public Health and the Continuing Public Health Funding Crisis

Through periods of relative stability and periods of budget deficits for the county's General Fund, there has been one constant: the Public Health Department has been and continues to be plagued by the strain of the changing demographics of King County as well as shrinking federal support. As the provider of healthcare to an ever increasing population of uninsured and underinsured patients, Public Health faces the twin dilemmas of changes in Medicaid reimbursement policy that have resulted in a revenue decrease, and the increasing demand for

services by clients unable to pay for the services. Since 2005 King County has mitigated the impact of these pressures by increasing the use of General Fund resources to continue services.

In 2009, with the General Fund budget crisis, the ability to mitigate these impacts is exhausted. Public Health in 2009 faces both permanent budget reductions in programs supported by the General Fund and a significant number of programs have been placed in the lifeboat. Those services, which include closure of some Public Health facilities, are a reflection of the reality of Public Health funding constraints, now and into the future. The county cannot sustain the forecasted growth in unreimbursed costs for the services it currently provides. While the state provided limited public health funding in adopting its 2007-2009 biennium budget, we must join with other counties and continue to go to Olympia to ensure the state addresses the statewide public health funding crisis. If the legislature fails to act to alleviate the crisis the county will once again be forced to consider the very real prospect of closing some or all of our clinics.

Transit Division

In 2009, Transit will be in the second year of the biennial budget pilot. A mid-biennial review that focuses on changes to the key assumptions that guided the adopted 2008/2009 budget has been completed. This mid-biennial review focuses on significant changes that were identified in several of the key assumptions supporting Transit's budget and financial plan. Details of this mid-biennial review are included in a supplemental request and submitted concurrent with the Executive's 2009 Proposed Budget. Highlights of the review include:

- **Impact of reduced sales tax:** Sales tax is the largest single revenue source for the public transportation program accounting for more than 60 percent of annual revenue. During the biennium, sales tax receipts are expected to be \$67 million lower than previously projected. This revenue reduction impacts both the operating and capital programs.
- **Fuel prices:** Transit uses more than 10 million gallons of diesel fuel annually. Fuel prices have been very volatile over the past several months, hitting a high of \$4.27 per gallon in mid-July, 2008. The 2008/2009 adopted budget assumed fuel rates of \$2.60 and \$2.70 per gallon for 2008 and 2009, respectively. In the mid-biennial review, per gallon fuel prices have been increased resulting in \$27.6 million in additional costs for the period.
- **Inflation/Cost of Living:** Compared to the adopted 2008/2009 budget, the cost of living salary expense has increased significantly. This has resulted in approximately an additional \$15 million of expenditure for the biennium. In addition, costs for items such as bus parts are increasing as prices increase faster than the 2.8 percent included in the adopted budget.
- **Ridership:** Bus ridership is currently at all-time highs resulting in increased fare revenue as well as pressure to meet anticipated service expansion as outlined in the voter-approved Transit Now proposal.

Transit is now faced with a problem of responding to increased customer demands for service as revenues are declining and costs are increasing. The Executive Proposed Budget I am

submitting is a short-term proposal based on the following goals:

- Preserve existing service levels through 2010
- Maintain the Transit Now implementation schedule through 2010
- Balance the needs of business and retail customers against the revenue generated by the proposed fare increases
- Position the program to explore new revenue sources to address the ongoing financial situation

To meet these goals the following actions are being proposed in the 2008/2009 mid-biennial supplemental budget:

- Increase fares by 50 cents in 2009
- Continue to implement planned service improvements
- Reduce non-service elements of the Transit program by \$2 million with no impact to services provided
- Increase advertising revenue by \$1 million. This would be achieved through a series of changes between 2009 and 2011
- Cancel or reduce planned capital projects for total savings of at least \$65 million over the six year program
- Review options for the sale of Transit-owned property not needed for operations
- Use current reserves to cover the remaining shortfall through 2010
- By 2011, identify new revenue sources to sustain operating levels, service level reductions or a combination of the two, totaling at least \$60 million per year

Investing in our Future

While the budget I present today challenges all of us to exercise fiscal prudence and follow our strong financial policies, we cannot allow those requirements to stop us from investing in the long term future of the county and meeting our infrastructure needs. Investment in that infrastructure is the foundation for our long term economic stability, our personal health and our quality of life. We must invest in the continuous process of rebuilding in order to secure a bright future for our families. The budget I present to you today enables us to prevent, rather than react to crises. It calls for a 2009 Capital Improvement Program of \$1.2 billion. The projects in my proposed budget will help safeguard our water quality, improve key transportation corridors and ensure that future growth can be accommodated.

That \$1.2 billion includes \$167 million to continue the improvements in our wastewater treatment system, including the construction of the Brightwater Treatment Plant; \$75 million to continue the program to replace, improve and upgrade our solid waste facilities, \$53 million to continue the important work of addressing flood control and prevention problems and protecting our groundwater; \$68 million to improve our roadways, including moving forward on the Novelty Hill Road project; \$43 million for capital improvements and property acquisitions to support our parks, recreation facilities and trail programs; \$33 million to meet the capital needs of the King County Ferry District and a biennial capital budget of \$542 million for our Metro

Transit system for the replacement of older buses and the addition of new buses to support growth in service.

Financial Policies

The 2009 budget I submit to you today is an austere one that exercises the kind of fiscal conservatism and restraint we practiced from 2002 through 2005. If we do not engage in fiscal restraint and if we do not receive support from the state in 2009, we face ever deeper and more severe reductions in future years. In order to balance the 2009 budget and meet our reserves policies, we have cut expenditures and increased revenues and used General Fund reserves that will not be available in the future. As I noted earlier, the budget I present to you preserves and fully funds the six percent General Fund undesignated balance and the \$15 million Rainy Day Reserve Fund. There are many reasons for leaving these reserves untouched and I urge the council to resist any temptation to use them to restore budget reductions. First and foremost, these funds must be viewed as true emergency reserves – providing available monies to support county operations in the event of a disaster such as an earthquake or pandemic flu. Second, with the turmoil in the financial markets these funds provide a hedge against the county's inability to secure credit if that became necessary. We all need to be aware of the current experience of the State of California which has been forced to approach the federal government about the possibility of borrowing \$7 billion because they have been locked out of credit markets they use to finance immediate cash needs. And finally, the maintenance of these reserves has been and continues to be one of the cornerstones of the favorable view of the county taken by the rating agencies and maintenance of our AAA bond rating. Losing that rating because we used those key reserves is tantamount to passing the burden of today's General Fund problems on to our children and grandchildren – something we must not let happen.

The budget challenge we now face is a challenge we must all face together. The forecast deficits we see now and in the future are real. They can be overcome and we can demonstrate once again that together we will be fiscally prudent. That approach paid dividends for us in the past, when the national rating agencies recognized that we were up to these challenges – and it remains true today. Following the actions we took in 2002-2005, the rating agencies raised the county's debt ratings to AAA – a rare event to begin with and certainly even rarer for a government that went through the kinds of reductions we made in the 2002 – 2005 period.

The budget for King County government I present to you today totals \$4.89 billion. This represents an increase of 3.3 percent above the 2008 adopted budget level of \$4.74 billion. The full-biennium budget for all Transit related activities is included in both the 2008 and 2009 amounts. In addition, the 2009 amount includes the Transit supplemental budget resulting from the mid-biennium review. The operating budget, including debt service, for all county agencies increases from \$3.6 billion to \$3.8 billion in 2008, a 3.8 percent increase. The Capital Improvement Program (CIP) shows an increase from \$1.096 billion to \$1.114 billion in 2008. Total authorized county employment, including full time equivalent and term limited temporary positions, declines from 14,196 in 2008 to 14,058 in 2008; a decrease of 0.97 percent. The largest decreases in authorized FTEs are in the Departments of Natural Resources and Parks, Public Health, Superior Court and the Office of the Prosecuting Attorney.

The Transmittal Package

In addition to the 2009 Executive Proposed Budget Ordinance, this transmittal package includes the following separate legislative components and reports that have been incorporated in the 2009 Executive Proposed Budget transmittal package.

Performance Measurement

For several years I have transmitted to the County Council, along with the proposed budget, publications that addressed performance measurement. For the past two years this document has been the *King County AIMs High: Annual Indicators and Measures* report. That report was designed to be an ongoing progress report and a high level snapshot of departments' activities and measures. To increase the transparency and visibility of the county's efforts to improve performance, I have made two changes to the way we provide information on performance measurement. First, the *King County AIMs High: Annual Indicators and Measures* report is replaced with the *2009 King County AIMs High Performance Scorecard*. This new document provides a short, easily readable scorecard of the county's performance in selected areas. Second, starting today, a more comprehensive performance measurement web site will include information on King County. The address for that Web site is <http://your.kingcounty.gov/aimshigh>.

Fee and Charge Ordinances

Part of being fiscally prudent is to raise fees and charges only when necessary and only when improvements in the efficiency of operations cannot be improved to obviate the need for increased fees. While the 2009 budget holds most fees and charges for services steady, certain fees and charges do need to be raised to generate the resources needed to continue to operate county programs.

While all of these proposed fee changes are important to the operations of King County, the most critical is the proposed increase in Transit fares. As discussed above, Transit must overcome a significant financial challenge in the years ahead. As a result I am supporting approval of a 50-cent increase in Transit fares, to be effective as soon as possible in 2009 if approved by the council with sufficient time to prepare appropriate rider information materials and new bus passes. Legislation in the form of Proposed Ordinance 2008-0377 is currently pending with the council and I urge the appropriate changes to this ordinance be made to reflect an immediate 50-cent fare increase. .

Included in the 2009 Executive Proposed Budget are the following ordinances for fee increases. These ordinances are in addition to the proposed Transit fare increase.

- Roads Services Division - revises road construction permit fees
- King County International Airport – increases fees for tie down monthly rental rates at King County International Airport
- Judicial Administration - implements five new fees or fee increases for online electronic court records, record service correspondence, expedited processing, working papers, and an extra handling fee

- Office of Management and Budget - adjusts the portion of the Superior Court filing fee that is diverted to the Law Library
- District Court - establishes a Parking Default Fee and a Domestic Violence Fee
- Facilities Management Division – changes a number of fees assessed by the Property Services Section, including franchise fees, right of way construction fees, property easement fees and fees for special use
- Sheriff's Office - increases the fees charged by the Sheriff's Office Civil Unit.
- Records and Licensing Services – implements a pet license fee increase and establishes a fine for failure to comply with licensing regulations

Other

As required by King County Code 2.16.0757, I am submitting the 2009 Proposed Technology Business Plan. This provides the County Council with the appropriate details and context for your review of the proposed budget as it relates to information technology projects.

Sent under separate cover, but transmitted at the same time as the budget, are the following:

- An ordinance to authorize a cost of living adjustment for non-represented county positions for regular, term limited and temporary employees. Although traditionally the COLA rate for non-represented employees is based on 90 percent of the September-to-September increase in the CPI-W, the 2009 Executive proposed Budget holds COLA to 3 percent for non-represented employees as a vital step to balancing the 2009 budget
- An ordinance modifying the King County Code to create the new Office of Strategic Planning and Performance Management and dissolve the Office of Business Relations and Economic Development
- An ordinance modifying King County Code provisions related to the requirement to mail property tax statements to property owners whose taxes are paid by a mortgage company
- An emergency declaration certifying the need to use a portion of the Emergency Medical Services (EMS) fuel reserve as required under the EMS levy
- An ordinance amending the Adopted 2008 Budget to provide additional budget authority to the Transit Division of the Department of Transportation and the Department of Transportation Director's Office for the second year of the 2008-2009 biennial budget. This ordinance is accompanied by Transit budget materials documenting the supplemental budget request.

In closing, I again must reiterate the very real impacts that the difficult program reductions I am proposing will have on county citizens. The lifeboat strategy I have proposed 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 that suffer from the same structural imbalance – with the flexibility and revenue options required to sustain these basic and important services. Without the toolkit from the state, permanent funding for the programs in the lifeboat will expire effective July 1, 2009. Furthermore, additional reductions in direct services will be required for 2010 and beyond to address the ongoing deficits that result from the structural imbalance in revenues and expenditures.

Honorable King County Councilmembers

October 13, 2008

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I ask the County Council to support me in my efforts to engage the state Legislature in this most important effort to achieve the toolkit necessary to preserve these programs. I look forward to working with you as you give my 2009 proposed budget your careful consideration and join with me in continuing to move King County forward.

I certify that funds are available.

Sincerely,

A handwritten signature in black ink, appearing to read "Ron Sims". The signature is stylized with a large, looping initial "R" and a cursive "Sims".

Ron Sims
King County Executive

Enclosures

cc: King County Councilmembers
ATTN: Ross Baker, Chief of Staff
Saroja Reddy, Policy Staff Director
William Nogle, ABRAC Budget Manager
Rebecha Cusack, Senior Budget Advisor
Anne Noris, Clerk of the Council
Frank Abe, Communications Director
Elected Officials
Department Directors
Bob Cowan, Director, Office of Management and Budget
Beth Goldberg, Deputy Director, Office of Management and Budget