

Committee staff at this point have just begun assembling materials. However, reviewing the myriad of services – even just focusing on those services that are funded by general taxes – will be a major undertaking.

Staff returned again to the recommendations in the BATF report as a potential starting place. In particular, starting on page 16 of the report (attached again for reference as **Attachment 1**) – is a section entitled “Part II: What is the county’s Role? Service Priorities, Service Levels”. This section lists the regional services (as of 2003). On page 18 is a list of services where King County is the local service provider for unincorporated areas of the county. Services that are “Not mandated by state law” are noted. These include human services and parks.

The section of the report concludes the following observations:

Given the extent of mandated services, and the regional consensus around discretionary services provided by the County, we conclude that major savings are not achievable through “getting out of the business” in major service areas. However, what must be addressed is means of service delivery and level of service. We believe significant savings may be achieved by selectively eliminating various programs within service areas, changing the way services are provided, and in some cases reducing service levels.

There is then a series of recommendations for Near-term/Immediate Actions and Long-term actions pages 19 - 21. Staff has not completed a review of the status of these action recommendations.

In the meantime, staff have procured a table of all General Fund Appropriations (PSQ, Adopted and Adjusted- actual) for King County between 2006 and 2010. Committee members had noted the ‘age’ of the reports attached to the previous staff report. There have not been similar reports – in terms of thoroughness or breadth. However, the attached spreadsheet of King County’s budget (**Attachment 2**) – organized by the Legislative Branch, Executive Branch and all Criminal Justice Agencies -- shows budgets over the last five years.

Perhaps, committee members have further direction to staff, with regard to research on services, based on more recent budgets? Otherwise, it may not be possible for committee staff to achieve anything meaningful for the committee in the next several months, if the review of services is not more focused.

ATTACHMENTS:

1. Report of the King County General Government Budget Advisory Task Force to Executive Ron Sims, dated June 25, 2003
2. King County Budget: General Fund Appropriations 2006 - 2010

Report of the King County General Government Budget Advisory Task Force to County Executive Ron Sims

June 25, 2003

INTRODUCTION

Task Force Mission, Process, and Report

The general government services provided by King County are fundamental to the quality of life in our region. Criminal justice services, including the superior and district courts, prosecutor and public defender's offices, the sheriff's office, jail and detention facilities, ensure the public safety of our communities. Providing public health services and basic human services, as well as the day-to-day functions of public record keeping, issuing licenses, conducting elections, assessing property and providing treasury services are also County responsibilities. These essential functions comprise the basic governing services and structures that we all rely on, and which are often overlooked because they are so much a part of the fabric of our daily lives.

The County's ability to continue to provide these essential government services is in serious jeopardy. Last year, a record \$51 million in cuts to general government programs were required in order to balance the County Budget. County Executive Ron Sims indicated that this trend would continue because of the basic limitations of the County's revenue structure. In October 2002, the Executive created the King County General Government Budget Advisory Task Force ("Task Force"), to provide advice on this challenge.

The Task Force is composed of 13 citizens (See **Attachment A**). The Executive recruited these Task Force members in order to secure a broad range of perspectives and experience. Task Force members come from backgrounds in government, business, labor and the non-profit sector.

The mission of the Task Force, as presented by the Executive, is as follows:

Examine the County's Current Expense (CX) Fund, programs, policies, processes and budgets, and make recommendations regarding policy and operational changes that may provide appropriate additional cost savings, as well as the need, if any, for additional revenues in support of CX programs.

The work of the Task Force will include examination of general government functions and budgets, including but not limited to the courts, sheriff, jail, public health, human services, parks and central government

functions. The Task Force will also review the 2003 budget process and make recommendations about 2004 budget cuts.

The Task Force had its inaugural meeting in early November 2002. This was followed by a series of tours of many County general government functions in December. The Task Force then met every two weeks from January through June. All meetings were open to the public. Multiple stakeholder panels were held in order that the Task Force could hear not only from the Executive staff, but also directly from others in government and in the region, including mayors and city managers, judges, the King County Sheriff, the King County Prosecutor, the King County Bar Association, unincorporated area council representatives and County Councilmembers – among others.

The Task Force identified three primary tasks for its work:

1. *Identify short-term and long-term direction/priorities for budget cuts.*
2. *Identify short-term and long-term operational and other changes to address CX shortfalls.*
3. *Determine whether there is a structural problem with the County's funding, and if so, are new funding sources required? What type of funding sources?*

This report presents the Task Force's assessment of the critical fiscal problems facing King County general government and a series of short and longer-term recommendations to address those problems. We begin with a general description of the challenge. Then, we in turn address four key substantive areas:

- Service Priorities for King County;
- Administrative and Operational Efficiencies;
- Aligning Services and Revenues; and
- Revenue Options.

In each of these substantive areas, we first present a challenge statement and analysis, then a list of recommendations, including: (1) *County action steps* (short term and long term); (2) *State action steps*; and (3) *Regional dialogue recommendations*.

We have reviewed a tremendous amount of information regarding the various general service budgets, the statutory obligations of the County, the limitations placed on it by state law, the array of revenue authorities granted the County, and the policies and practices governing expenditure of those revenues. The complexity of the budget challenge, and the County organization itself, is such that despite our work over the last eight months, we believe it is neither appropriate nor possible for us to offer line-item budget cut recommendations that will erase the ongoing budget deficits facing King County. Rather, this report reflects our assessment of the current direction of the County, poses several questions for further inquiry, and recommends several policy directions and actions that we believe should guide County leaders in managing the budget crisis in the near and longer-term.

PART I: KING COUNTY GENERAL GOVERNMENT FISCAL CRISIS: PROBLEM STATEMENT

King County's general government operations as currently constituted are not sustainable. Simply stated, the problem is that general revenues are growing at less than two percent per year and general service expenditures are growing at between 5½ to 6½ percent per year. Unless things change, County general fund budget cuts are a permanent, *annually recurring* event. It is important to understand the reasons for this situation, in order to identify solutions. We emphasize at the outset that the solution is not simply a matter of finding new revenue: while ultimately we believe new revenues are required, the County must also address certain basic operations and service delivery decisions.

The County has undertaken major budget cuts in general government services in the last two years – together in excess of \$90 million. (See **Attachment B** for a list of the 2001 and 2002 general government budget cuts, by program area). This is the cumulative equivalent of nearly 19 percent of 2003 general government service budgets. General government services are budgeted out of the County's "Current Expense ("CX") Fund," which receives a variety of general revenues sources.¹ The 2003 CX Fund budget is \$492 million.²

The County budget office estimates that *status quo* Current Expense expenditures will outpace revenue growth by over \$20 million each year in 2004 and 2005, with the gap dropping to approximately \$15 million in 2006 and each year thereafter.³ Continued *status quo* service delivery means that the only way to balance the budget each year is to fire more County employees every year and reduce services to the public accordingly: an untenable outcome. We believe that other options must be identified and pursued in order to maintain an adequate level of public services. King County must be first and foremost a deliverer of quality public service.

The causes of the current situation are varied, and defy simple resolution. In our work, we found no "easy wins" or "low hanging fruit" – the County has identified and addressed these. There is no "silver bullet" to resolve the problem. The County has clearly made many difficult decisions in the past two years to deal with a serious budget crisis. But further changes in the way services are provided, and managed, are necessary. Ultimately, however, the County cannot resolve this crisis alone.

This portion of our report reviews some of the basic facts about general County services and revenues. These basic facts are not well understood by the public, but illustrate the sources of the budget crisis. The average County resident probably has little idea which

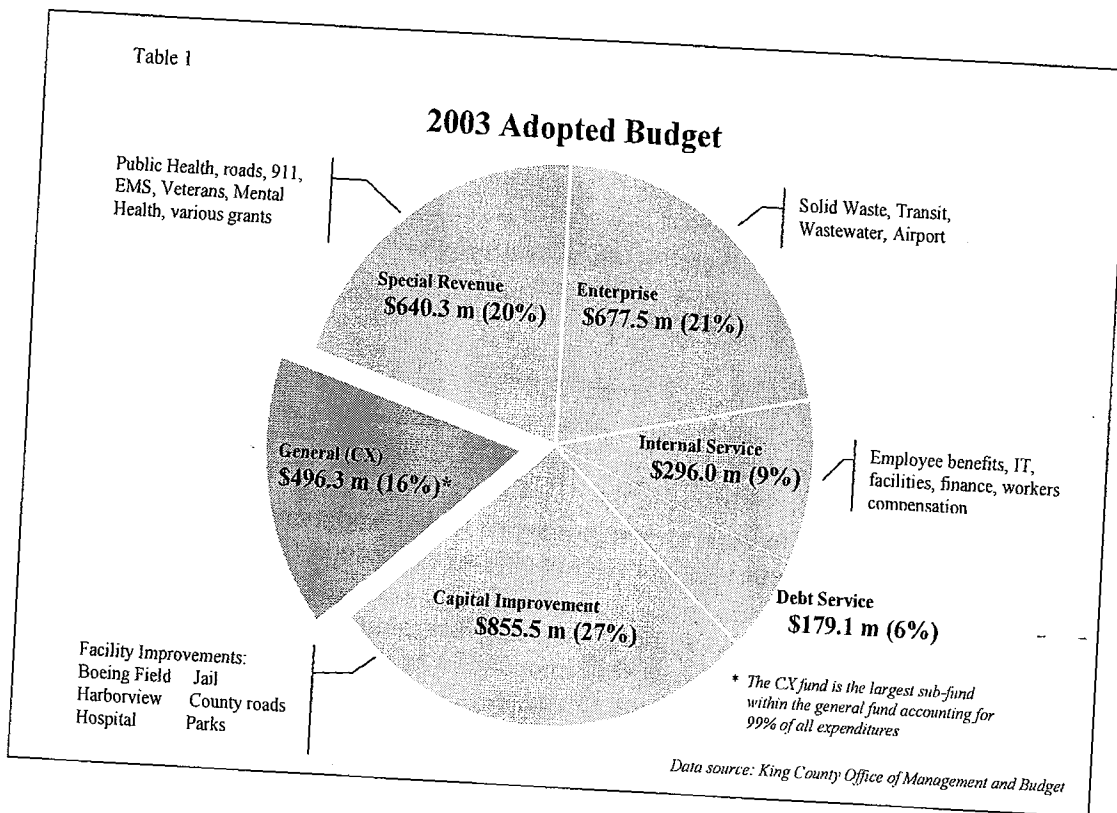
¹ We use the terms "general fund" and "CX Fund" interchangeably in this report. Technically, the CX Fund is a sub-fund of the "General Fund," constituting over 99 percent of the General Fund budget. Approximately \$4 million in dedicated sales tax revenues is also included within the General Fund budget.

² The sources of CX Fund dollars, and their application, are summarized in **Tables 2 and 3**.

³ Passage of the May 2003 parks levy will reduce the amount of 2004 budget cuts needed by providing funding directly for regional parks. If approved by Council, the Executive's Solid Waste Initiative would provide additional CX dollars to further reduce the needed 2004 budget cuts.

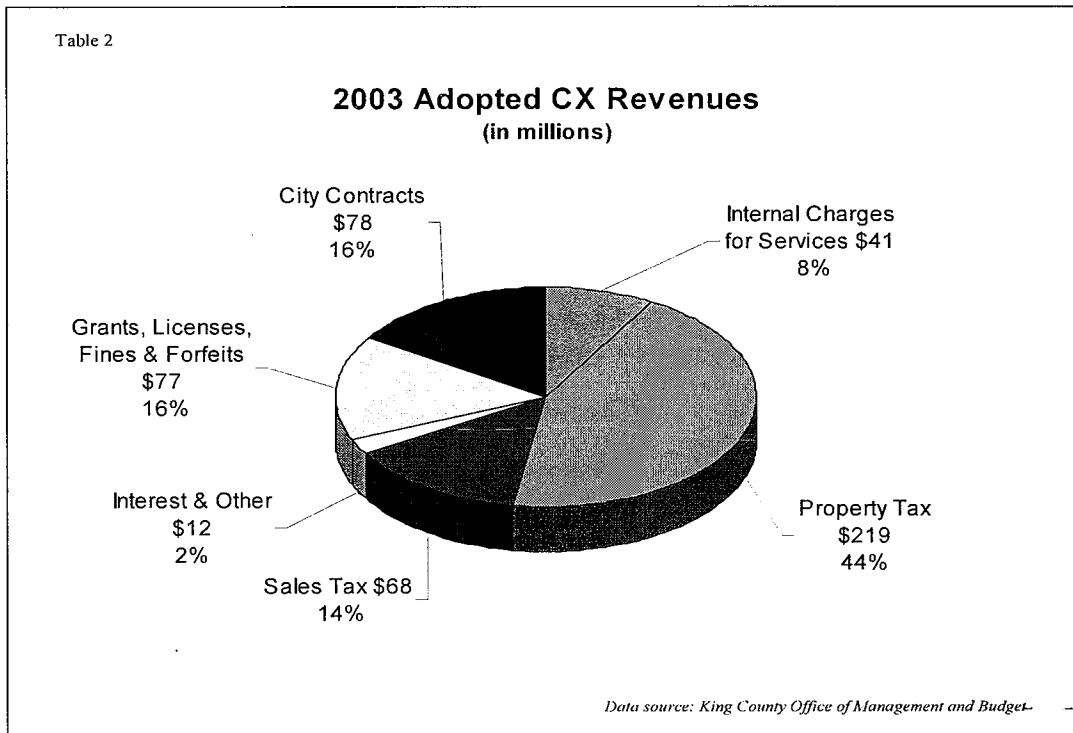
services are provided by the County, or where the money to support these services comes from. The County is largely invisible to residents. However, both County government and the public must understand the current situation, its root causes, and the implication for our region if nothing is done to change the situation.

Distinguishing the CX Fund from the Rest of the County Budget. It is important to understand that the County's fiscal crisis is within one small (in terms of percentage) but critical part of County budget. As shown in **Table 1**, the total County budget in 2003 is in excess of \$3 billion. The County's *general fund budget* – or “*Current Expense*” (CX) Fund budget – is only about 16 percent of the total annual budget. The rest of the County budget is comprised of programs that are entirely fee supported or have dedicated tax revenues – so-called “enterprise funds” such as regional wastewater treatment, solid waste disposal, transit service, and Boeing Field. Additionally, there are capital funds to which revenues have been pledged to pay debt service. These fee and revenue supported services and funds are not in crisis – although they do share some concerns as clients of the internal services that are budgeted out of the CX Fund. Actions taken to reduce the CX budget may, in some cases, have a beneficial “ripple” effect to these dedicated service areas (or, if overhead functions are not flexibly structured such reductions may actually increase central service charges to those agencies).



The Role of the CX Fund. The CX Fund supports a disparate array of general government services, primarily services mandated by the state, as well as a few

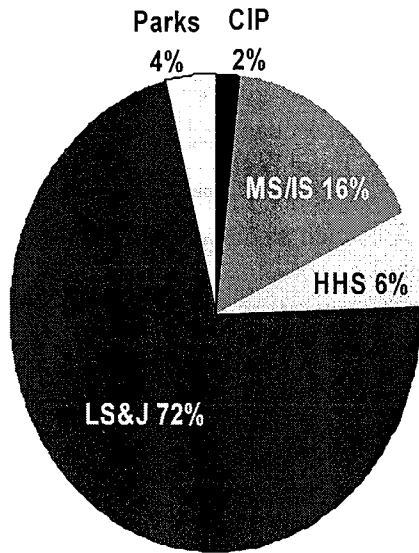
discretionary services such as parks and human services. In addition, the CX Fund supports the basic *internal operations* of King County: the Council, Executive, human resources – general overhead functions. With a few notable exceptions,⁴ these general government services are not self-supporting through fees: they require tax support. While utility funds contribute their share to support general overhead, there are clear prohibitions in state law preventing the diversion of utility dollars to pay for non-utility functions. Thus, CX programs such as the courts or parks cannot be supported by sewer fees, garbage disposal charges or bus fares. The CX Fund is supported primarily by: (1) a countywide property tax; (2) the County’s share of sales tax, collected both inside cities and in the unincorporated areas; (3) fees for service, such as city sheriff contract payments; and (4) transferred revenues from other enterprise functions of the County in payment for services (typically overhead services) provided by CX agencies. **Tables 2 and 3** detail the sources and application of revenues to the CX Fund.



⁴ Treasury services and public records not only cover the cost of operations through fees they generate several million dollars a year that are spun off to support other CX services.

Table 3

2003 CX Fund Expenditures



- Capital Improvement (\$9 m)
- Miscellaneous Services/Internal Support (\$80 m)
- Health & Human Services (\$32 m)
- Law, Safety & Justice (\$352 m)
- Parks, Open Space & DDES (\$20 m)

Data Source: King County Office of Management and Budget

Miscellaneous Services/Internal Support

Records, Elections and Licensing	\$18 m
Assessors	\$16 m
Council	\$12 m
Human Resources	\$ 6 m
Budget & Finance	\$ 6 m
Contingencies	\$ 5 m
Executive	\$ 3 m
Executive Services	\$ 2 m
Property Services	\$ 2 m
Business Relations & Econ. Develop.	\$ 2 m
Internal Support	\$ 2 m
Other *	\$ 6 m

* Other includes: Ombudsman, Tax Advisor, Board of Appeals, Boundary Review Board, Cable Communications, Auditor, and Hearing Examiner

Health & Human Services

Public Health	\$14 m
Human Services	\$ 8 m
Children & Family Set- Aside	\$ 4 m
Mental Health/Alcoholism	\$ 4 m
Housing	\$.5 m
Work Training	\$.6 m
Memberships	\$.5 m

Law, Safety and Justice

Adult & Juvenile Detention	\$103 m
Sheriff	\$97 m
Prosecuting Attorney	\$41 m
Superior Court	\$32 m
Public Defense	\$29 m
District Court	\$20 m
Judicial Admin	\$14 m
Contingencies	\$ 7 m
Internal Support	\$ 5 m
Courthouse Security	\$ 1 m
Inmate Welfare	\$ 2 m
Emergency Management	\$ 1 m

Parks

Parks, Pools, King County Fairgrounds, Rec Programs	\$16 m
DDES *	\$ 3 m
Other	\$.5 m

* DDES provides code enforcement, planning and fire marshal services for unincorporated King County

Root Causes of the Fiscal Crisis. We now turn to a brief examination of what we believe to be the root causes of the current CX budget crisis:

- *Doing two jobs, defined by the state:* The County has a set of expensive, but critical public services that it is required to provide by state law, including both regional and local mandated services.
- *Decisions made to provide discretionary services:* The County has over time chosen to provide many discretionary services.
- *Service Costs – which primarily consist of salaries and benefits, are growing each year.*
- *The County has a limited revenue base, dependent upon capped property taxes.* There are major limitations on County revenue authority imposed by state law and voter initiative.
- *Conflicting constituencies and multiple service obligations have led to misalignment of revenues and expenditures.*
- *A complex, politicized, and fragmented organization suffering from a lack of healthy central systems and challenging corporate culture.*

We address each of these challenges in turn below.

Doing two jobs, defined by the state. King County, like all Washington counties, is a creature of the state.⁵ Although operating under a voter-approved charter, King County is required by the state to provide a wide array of public services. Whereas counties were originally envisioned to serve as the general government for an overwhelmingly *rural population*, over time a *dual role* has evolved, particularly in urbanized counties containing many cities. The County today has a *dual role* as the **local government** for unincorporated areas, and as the **regional government** for the County as a whole. King County provides a broad array of regional services to a population of 1.7 million. At the same time, it provides “city” local services to nearly 350,000 residents in the unincorporated areas⁶ – a population equivalent of the *second largest city in the state*. Even if all residents in the urban area were to incorporate or annex, the County would still be responsible for providing basic government services to *rural residents* (currently approximately 135,000 in number – equivalent to the second largest city in King County).

The complexity of the County’s task is made clear by examining a partial list of regional and local **mandated** service responsibilities:

⁵ That is, it was initially created by the state (as opposed to cities, which are created by citizen action).

⁶ Unincorporated areas are defined as all areas of King County outside of city boundaries, including both rural and urban areas. See **Attachment C** for a pie chart expressing the current population divisions.

<u>Table 4</u> Regional Service Mandates	
(*) per state law (+) service obligation approved/created by region's voters	
*Superior Court	*Public Records
*District Court (certain case types)	*Elections
*Public Defender (all felony and some misdemeanors)	Public Health
*Prosecutor (all felony and some misdemeanors)	+Sewage treatment
*Felony Jail	+Transit
*Treasurer	+Automatic Fingerprint I.D. system
*Assessor	+Emergency Medical Services Funding
*Mental Health and Substance Abuse treatment	
*Sheriff (some statutory authorities)	

<u>Table 5</u> Local (Unincorporated Area) Service Mandates	
(per state law)	
Roads	Prosecution and public defense
District Court (misdemeanor offenses)	of misdemeanor offenders
Sheriff	Surface water management/storm
Fire Inspections	drainage
Jail for misdemeanor offenders	Building Permits/Zoning/Land-use

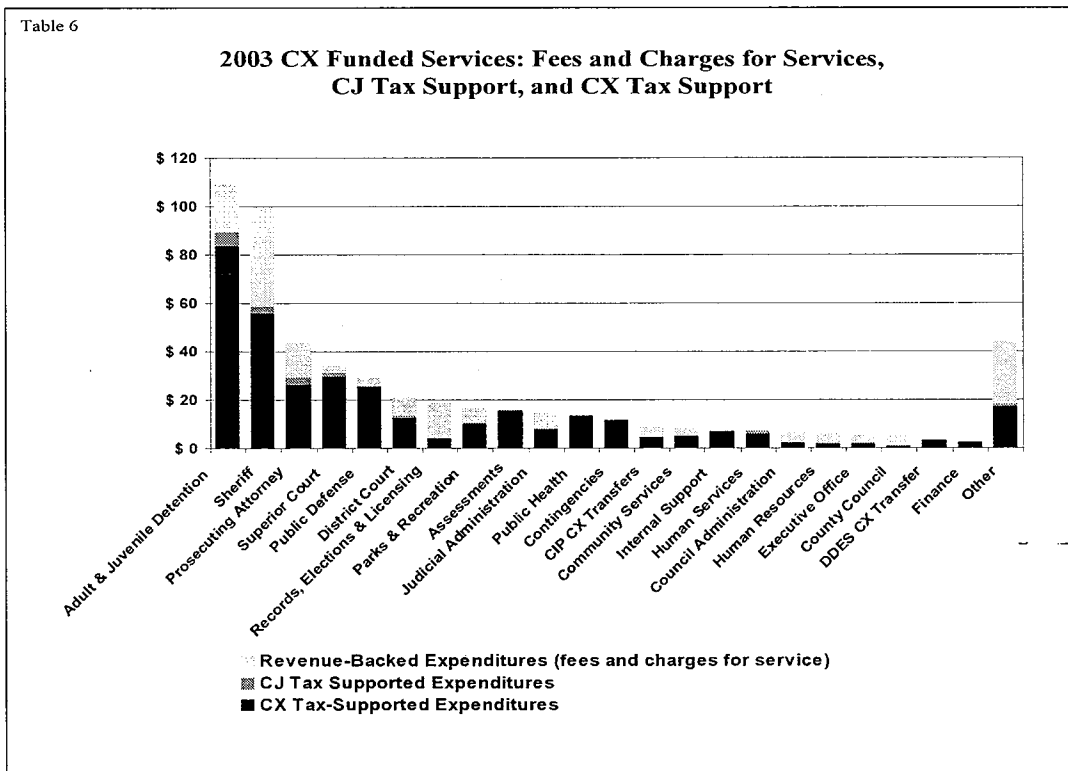
King County is like a conglomerate that operates dozens of unrelated businesses. The merger of King County and METRO in the mid-1990s completed this picture, moving two very large fee and dedicated tax supported service structures – wastewater and transit – into the County. As noted above, however, the former METRO services are not the source of the CX Fund's budget problem.

The mandated services provided out of the CX Fund have evolved significantly over time:

- **Public health** responsibilities today are far more complex than was the case 100 years ago: simply consider the impact of SARS, bio-terrorism and AIDS.
- The requirements of our modern **judicial system** are another example where we see significant evolution in the standards that must be followed, from “*Miranda*-rights” to the dozens of foreign languages spoken by defendants for which translators must be daily provided.
- **New crimes** are added to the books yearly by the state legislature, which increases the number of people the County must arrest, try, prosecute, defend, and provide detention. Major crimes pose a particular burden: the combined cost for investigation, prosecution, and defense of the Ridgeway murder trial will exceed \$6.5 million in 2003.

- Today, King County Department of Adult and Juvenile Detention spends over \$19 million a year in **jail health care** for prisoners, including what is in essence the largest mental health care service program in the state.

Table 6 shows how much of the available CX dollars are consumed by different CX agencies – and the level of fees and criminal justice sales tax dollars supporting such programs. In terms of dollars, **law, safety and justice functions combined consume over 70 percent of the total CX revenue of the County** – a percentage that has grown steadily over time. The state mandates these functions, but provides little in the way of financial support. For example, the state retains nearly 40 percent of revenue generated by district court fines and forfeitures but provides no direct financial support in exchange. The only state support of the superior court is to fund one-half of judicial salaries and all judicial benefits, as well as a portion of juvenile court programs. The number of district court judges is set in state statute – the County cannot alter these based on caseload changes absent consent of the state. Washington state ranks 49th in the nation in providing financial support for the operation of its trial courts.⁷ The state provides little direct funding for the operation of the County’s jail function, the prosecutor and public defender offices. The County adult detention (jail) function is the largest single consumer of CX dollars – and each new crime put on the books by the state legislature impacts the average daily population of the County jails.



⁷ Source: Washington State office of Administration of the Courts, based on U.S. Department of Justice, Bureau of Justice statistics FY 1999 data.

Decisions made to provide discretionary services. Over time, the County has chosen to provide a number of discretionary services, in addition to its mandated services. Some of these services are extremely popular with the public, such as the regional parks and open space system. Human services, children and family services, and animal control are other examples of such discretionary services. As law, safety and justice budgets increase, budgets for discretionary services are being cut. The parks budget was slashed by over 30 percent in the last two years and now is preserved only because of passage this May of a special 4-year levy. The human services budget has been cut by similar percentages in this same period. Perhaps the decisions to enter into these service arenas were made without regard to the County's long-term fiscal capacity; perhaps they were an appropriate response to its mission of public service in an increasingly urbanized environment. Regardless, in a very real sense, the County's ability to continue to provide these services is at stake.

Services Costs – consisting primarily of salaries and benefits – are growing each year. The fact is that CX Fund services are *provided by people*. Salaries and benefits constitute over 70 percent of the expenditure of CX Funds. Per employee salaries have been growing at a rate of *five percent per year* (after considering retirements, new hires, cost of living allowances, and longevity increases). During the past two years elimination of almost 10 percent of the CX workforce reduced the aggregate growth rate in salaries to less than 1 percent per year. However, it will take cuts of similar magnitude each year in the future to keep the growth rate to such level.

County employee benefit costs over the last several years on average have grown at an annual rate of nearly 10 percent – on par with private sector experience across the country. However, for the next several years, this rate is expected to grow at around 15 percent per year (also on par with an expected increase in the national rates).

While labor costs are a major challenge, the County is constrained by both state laws and County policies in tackling these costs. The County currently has 94 different union bargaining units operating under 66 different union contracts. Over two-thirds of CX program employees are unionized, and this percentage has grown steadily over time. State law requires interest arbitration for sheriff employees and jail guards (as well as transit workers, not a part of the CX budget) – sending wage and working condition impasses to binding arbitration. Most significantly, County labor policies discourage contracting out of work. State case law interprets portions of the County Charter as preventing contracting out in certain situations.⁸ Union leaders, we are told, much prefer budget cuts be taken through employee reductions – rather than salary or benefit cuts or contracting out of work: this forces the County to cut service levels in order to balance the budget.

It must be acknowledged that the County has achieved significant cost savings in working with its unions. For example, the most recent benefits contract (jointly negotiated with the County by all unions), doubled employee medical co-payments, allowing a one-year reduction in growth of benefits to around 1 percent as compared to

⁸ Joint Crafts Council v. King County, 76 Wash. App. 18 (1994).

the roughly 10 percent annual national average in recent years. Also, through agreement with unions, the County has for the last many years used a *national* cost of living allowance index for most employees⁹ that is lower than the *regional* Seattle-Everett metropolitan area cost of living index. State data suggests that County *top managerial* salaries lag significantly behind their public and private sector counterparts – an issue that we are told is having negative impact on the County’s ability to attract high-level managerial employees.

In aggregate, **the cost of funding *status quo* CX services, after considering the cost of salaries, benefits, and all other factors (inflation, growth of service demand, regulatory changes, etc.) is growing at a rate of 5½ to 6½ percent per year.**

The County has a limited revenue base, dependent upon capped property taxes.

Although the services performed by the County have evolved over time, its fiscal resources to provide these services have changed little since its creation. The County’s revenue tools are defined by state law. This includes two separate general property taxes (one levied countywide, the other in the unincorporated areas – currently dedicated by policy to roads), a share of sales tax (collected at one rate within cities, and a higher rate in unincorporated areas), some dedicated property and sales tax authorities (such as real estate excise tax and a share of a regional criminal justice sales tax). The County also has authority to impose a variety of fees (many of which, such as court and licensing fees, are fixed in amount by state law).

The County’s primary revenues sources for providing regional and local services are listed below in **Table 7**.¹⁰ This table illustrates the **County’s overwhelming dependence upon property taxes – taxes that have been capped by voter initiative¹¹ to an annual growth rate of one percent plus new construction.**

The revenue and expenditure gap in general County government is thus in the range of 4 percent to 5 percent a year: this is the amount that must be cut each year from CX budgets. To date, the budget gap has been filled primarily by cuts to internal government functions and discretionary services. Human services and parks – discretionary items – have been hardest hit, but all central internal service budgets (overhead functions) have also been targeted in an effort to preserve regionally mandated services such as public health. The County’s budget cutting priorities have been commendable and appropriate to date, but cannot resolve budget problems indefinitely.

⁹ Workers entitled to interest arbitration are not included in this: state law generally provides their salary increases are based on West Coast public sector comparable salaries.

¹⁰As noted in Table 7, many of these revenues are *not part of the CX fund*. Criminal Justice sales tax revenues are budgeted in a separate fund. Unincorporated area property tax levy is dedicated by policy to the County Road Fund. The Conservation Futures tax is dedicated by state law to acquisition of open space. Real Estate Excise Taxes are dedicated by County policy to fund park and recreation capital projects. Surface water management fees are required by state law to be applied towards storm drainage and similar environmental projects benefiting unincorporated areas.

¹¹ Initiative I-747, which went into effect January 1, 2001, caps the growth of property taxes without a vote of the people to 101 percent of the previous years’ receipts, plus taxes on new construction. A simple majority of the voters can override this limitation.

Regional mandated services can no longer escape significant budget cuts, given current policies and revenues.

Unlike cities, counties cannot impose utility taxes or business and occupation taxes. The heavy reliance on property taxes means that unlike cities, the County's revenue challenge does not resolve itself when the region comes out of recession. Should inflation return, the problem becomes even more intractable. **Collectively, the County's CX Revenues are expected to grow at an aggregate rate of less than two percent per year for the foreseeable future.**

Table 7	
Major County General Government Revenue Sources	
(* identifies those revenues included in the CX Fund budget)	
<u>Revenues collected countywide:</u>	
*Countywide property tax (maximum rate: \$1.80 per \$1,000 assessed value)	
*0.15% of sales tax generated in cities	
*Countywide special levies (EMS, AFIS)	
Conservation Futures tax	
Criminal Justice sales tax (regional allocation per state law)	
<u>Revenues collected in unincorporated areas only:</u>	
Unincorporated area property tax (maximum rate: \$2.25 per \$1,000 assessed value)	
*1% of sales tax generated in unincorporated areas	
Real Estate Excise Tax dollars collected in unincorporated areas	
*Gambling taxes collected in unincorporated areas	
Criminal Justice sales tax (per capital allocation based on unincorporated area population)	
Surface Water Management Fees	

Conflicting constituencies and multiple service obligations have led to misalignment of revenues and expenditures. The dual regional and local role of the County has led to confusion and conflict over time about what the County should be doing, particularly as more and more residents live in cities and no longer depend on the County for local services. With nearly two hundred local governments in King County, it is difficult if not impossible to generate consensus around public issues at the governmental level, let alone with the public. The Growth Management Act, and subsequently adopted Countywide Planning Policies (CPPs) propose a long-term vision that apparently has substantial support from most of the governments in King County. At its essence, the growth management vision calls for a clear distinction between urban areas and rural areas. King County is to be the provider of regional services and the local government in the rural areas; cities are to be the providers of urban local services. Urban areas should receive urban levels of service, and rural areas should receive lower, rural areas of service.

While the CPPs vision seems simple, in practice, it has proven difficult to achieve. As the region has taken steps towards achieving its vision, the results have been less than optimal for King County. Today we observe a major, but we believe largely resolvable, conflict between the County's regional and local responsibilities.

The primary challenge is in the County's role in *local urban service delivery*. While some full-service cities would prefer the County focus on regional mandates, many other cities rely heavily on the County to provide local services under contract.¹² The County today has substantial resources dedicated to *urban, in-city local service delivery* – although these efforts are largely “revenue-backed” by fees from cities. More significantly, over **210,000 people live in urban areas that are not yet part of cities** – equivalent to the second largest city in the state. Thus, over a dozen years into implementing the Growth Management Act, King County remains heavily involved in delivering *urban services to areas inside and outside of cities*.

Some urban unincorporated areas desperately want to be annexed; others want to be left alone. Some cities are interested in annexing neighboring territories; others are not. Annexation is dependent upon several things, chiefly: (1) cities agreeing to assume the territory; and (2) residents agreeing to be annexed.¹³ The County itself has been ambivalent towards the issue of annexation, sometimes finding it difficult to encourage constituents to turn to cities for services. And, special purpose districts – fire districts, water and sewer districts, among others – can pose significant challenges to annexation as it often means for them both loss of service territory and tax base.¹⁴

The CPPs call for the remaining unincorporated areas to annex or incorporate (with a preference towards annexation) by 2012. Throughout the 1990s there was a wave of annexations and incorporations in King County, as nearly a dozen new cities were formed. Most of the remaining unincorporated urban areas (with notable exception of the Highline/White Center area) have been claimed by cities as part of their future territory – so-called “Potential Annexation Areas” (PAAs). However, the rate of annexation has slowed significantly in the last few years. And, the County has no legal authority to cause the remaining annexations to occur.

Areas annexing or incorporating have included key commercial centers – areas that (together with their surrounding neighborhoods) can be self-sufficient as cities, and can provide urban services with a reasonable tax load. As a result, the County has been left with a patchwork of geographically separated unincorporated urban areas to serve – areas that consist primarily of residential areas and largely excluding commercial centers. *See map of King County at Attachment D*. These areas typically (although not universally) require tax subsidy in order to provide urban services – indeed, a city would typically subsidize these areas from its commercial center or downtown if these areas were annexed.

¹² The magnitude of these contract services is significant, and includes areas such as road maintenance, district court, marine patrol, and police services, among others. The sheriff's department reports that over 40 percent of its budget is “revenue backed” from city and other government service contracts.

¹³ New state legislation appears to create an opportunity for annexation to now occur in certain “islands” of unincorporated territory simply through agreement between the City and County. This could create a major opportunity to accelerate the pace of remaining annexations.

¹⁴ A recent highly publicized case with statewide implications was the Grant County Fire District No. 5 v. City of Moses Lake, 145 Wn.2d 702 (2002), in which the District challenged the constitutionality of the petition method annexation – and won. The District sued in response to an effort by the City of Moses Lake to annex a portion of the Fire District.

In addition to its responsibilities for urban unincorporated area residents, the County is (and by law will remain) the local government for approximately **135,000 rural residents** – a population equivalent to the second largest city in King County. The CPPs call for the rural area to receive lower, rural levels of service than are found in urban areas and, because development in rural areas is limited, the CPPs recognize that *a regional subsidy* is necessary to support local government services to these areas.

In sum, the regional land use vision proposes that the County to provide subsidized services to rural areas. And, the practical result of GMA in the last 15 years has been to also leave the County with responsibility for a large urban area that generates relatively little sales tax (compared to commercial areas and high density residential areas in cities). Not surprisingly then, many of the County's *local service budgets* are subsidized through *regionally-generated revenues*. As the County Executive outlined in his 2003 Proposed Budget to the Council last Fall, the County proposed to spend nearly \$42 million in regionally-generated revenues to provide local services to unincorporated area residents. Of this, \$42 million, it is *roughly* estimated that \$15 million is attributable to subsidizing the rural area, and the remaining \$27 million to subsidizing the urban unincorporated area.¹⁵ Excluding roads, unincorporated area residents are collectively receiving nearly twice the amount of services than their local taxes pay for. To date, County budgets have not tracked the change in this subsidy over time, nor pinpointed its size within various PAAs.¹⁶

The subsidy means that regional services and central government functions are being cut in order to fund local services.

Nearly sixty (60) percent of the County's annual *locally generated unrestricted revenues* come from the *unincorporated area property tax levy* – dedicated as a matter of *policy* since the early 1980s to roads and transportation purposes. This property tax is *legally available for any unincorporated area purpose*. Cities do not spend this high a revenue percentage on roads. Absent new revenues, as long as the unincorporated area levy remains dedicated to roads, the remainder of local services – particularly law safety and justice expenditures (if provided at any semblance of their current levels) – will be subsidized by regional revenues. Absent new revenues, re-allocating the unincorporated area property tax away from roads towards other local services is one of the only means for the County to avoid further cuts to regional services. But re-aligning “road” revenues cannot solve the problem for any length of time without devastating unincorporated area road programs.

¹⁵ The County's current financial system does not track rural versus urban expenditures – something we recommend addressing in the 2004 budget. The \$15 million figure is based on inflating the only recent estimate of the rural subsidy, calculated in 1997 to be approximately \$12 million.

¹⁶ For example, it is suspected – but difficult to prove – that local service budgets have not been cut commensurate with annexations and the subsidy has grown on a per capita basis over time, even accounting for inflation.

Ultimately, unless the region fundamentally revisits its growth management plans, the conflict between County's regional and local roles will continue and regional service budgets will suffer – until annexations or incorporations remove urban local service responsibility from the County and/or new revenues are made available to the County to meet these local service obligations. Annexations require city consent and resident support. The County is a necessary player, but does not control annexations. Fortunately, we are seeing unprecedented solidarity from cities as to the need to address the urban subsidy.¹⁷ Because the dollars associated with this revenue/expenditure misalignment are so significant, this is a major area for corrective action.

A complex, politicized, fragmented organization suffering from a lack of healthy central systems and challenging corporate culture. King County is an extremely complex organization in terms of service delivery, governance, organizational structure, and culture. The diversity of County operations manifests itself most obviously in dozens of County offices spread throughout King County: County employees in different programs have little or no interface with one another on a daily basis. County employees work out of offices at Marymoor Park, sewage treatment plants in Magnolia and Renton, airport offices at Boeing Field, several sheriff precincts, County health clinics, courthouses in eight cities, and hundreds of buses, each day. The sense of a single, united government is lacking. There are 93 separately elected officials in King County government, some elected countywide, some by district.¹⁸ The Executive and Council are elected on a partisan basis. The multitude of unions, bargaining units, and restrictive overlay of labor policies further complicates County management as we have noted earlier. Budget pressures have resulted in competition between departments for funding.

Related to these factors, the County does not have a consistent set of business practices, processes, and systems across all departments and programs. This results in missed opportunities for efficiencies. Central governmental systems at King County suffer from a lack of investment, and a lack of standard procedures. There is no unified financial system; no single human resources or payroll system; and no budget to achieve these goals. There is no uniform policy for computer hardware or software purchases. The County still relies on mainframe systems for core functions. With limited exceptions, no programs encourage employees to find efficiencies, or to work across government functions to identify possible savings. Recent initiatives to introduce managing for performance and benchmarking are relatively undeveloped, but their introduction, together with the Wastewater Division productivity initiative and unification initiatives sponsored by the Department of Executive Services, evidence a recognition of the need for change.

Acknowledging success to date – and the difficult path ahead. While we have concerns about the internal business functions and practices, we must also acknowledge that the budget cutting activity undertaken by the Executive and Council in the last two years has been significant. The over \$90 million in CX fund cuts and savings accomplished in

¹⁷ See Attachment F.

¹⁸ Comprised of 1 county executive, 13 county councilmembers, 1 county assessor, 1 county prosecutor, 1 county sheriff, 51 superior court judges, 25 district court judges.

these recent budgets has been painful and has required strong leadership. County government is facing up to its budget challenges. The fact is, however, that the budget cutting “degree of difficulty” increases every year: cuts and changes rejected last year as too painful are among the only options left on the table this year. At this point, we see no remaining easy fixes or “silver bullets.” Managing the budget challenge this year and in the future will require many smaller actions, and patience. It will require challenging the way County government has traditionally managed and provided service. It will mean a commitment to sharing the pain in all areas, to finding efficiencies at *all levels of County government*. It means managing for the long-term, rather than the immediate crisis.

PART II: WHAT IS THE COUNTY’S ROLE? SERVICE PRIORITIES, SERVICE LEVELS

The Challenge: Facing a significant annually recurring gap between revenues and expenditures, what should be the County’s service priorities? Are there services or programs that the County can no longer provide? For King County, the vast majority of services provided not only have their own constituency, they are mandated by the state. While specific aspects of programs may be eliminated, or provided in a different way, some actions are not tenable, for example, the County cannot stop operating superior court. Yet, the question: “what is the County’s role?” has come up repeatedly throughout our deliberations.

Analysis: The County’s mission, vision statement and goals provide little guidance in the quest for prioritizing or culling programs.¹⁹ Within the context of considering reductions in previous years’ budgets, the County has employed sensible criteria for making budget reductions, which bear repeating:

- Direct services prioritized over administrative functions (unless necessary to assure adequate oversight and control);
- Mandatory services prioritized over discretionary services;
- Regional services prioritized over local services;
- Unincorporated services prioritized over in-city services (e.g., parks);
- Raising fees prioritized over cutting services;
- Full cost recovery for contracts; and
- Limited subsidy of rural areas per GMA/CPPs.

¹⁹ King County’s current adopted *Mission, Vision statement and goals* are:

Mission: Enhance King County’s quality of life and support its economic vitality by providing high-quality, cost-effective, valued services to our customers.

Vision: King County – Leading the region in shaping a better tomorrow.

Goals:

1. Promote the health, safety and well being of our communities.

2. Enrich the lives of our residents.

3. Protect the natural environment.

4. Promote transportation solutions.

5. Increase public confidence through cost-effective and customer-focused essential services.

These criteria are appropriate. But, given: the extent of budget cuts to date; the large number of mandated regional and local services that the County provides; citizen and city concern over discretionary service cuts (particularly in parks and human services); limits in state law and the market to further increasing many fees for service; and the fragile condition of basic County central government systems, these criteria will be less helpful in the future. The County must now determine if there are any services that can be completely eliminated, or significantly scaled back.²⁰ And, new criteria must be developed to guide budget decisions.

Our review suggests the following three general categories of activity in which the County is now engaged: (1) Regional activities around which there seems to be consensus that the County's role is appropriate; (2) Regional activities generating a number of possible questions/alternatives; and (3) Clearly local activities. We acknowledge up front that others will disagree with our categorization – indeed, this is inevitably a somewhat subjective exercise, which accounts for the ongoing disputes as to the appropriate role of the County.

Beginning with the first category, there appears to be consensus, (except as noted parenthetically), that the County is the appropriate **Regional Service Provider** for:

- Sewage treatment (not a direct CX issue. *Note: service area covers only part of County*);
- Transit service (not a direct CX issue. *Subject to discussion of multi-county delivery, consolidation of transportation systems*);
- Superior court (state mandate);
- Public defender (state mandate);
- Prosecutor (state mandate);
- Felony jail (state mandate);
- Treasurer (state mandate);
- Assessor (state mandate);
- Public records (state mandate);
- Elections (state mandate);
- District Court (unique jurisdiction for small claims cases and certain other filings, per state law);
- Sheriff (regional jurisdiction on some matters defined by state law);
- Public health (state mandate, and some discretionary services; *service level issue*);
- Human services (discretionary; *service level issue*; *lack of partnership funding - from cities is an ongoing issue*);
- Regional parks (*discretionary; service level issue*);
- Funding and oversight of Automatic Fingerprint I.D. system (funded through special periodic property tax levy); and
- Funding and oversight of Emergency Medical Services (funded through special periodic property tax levy).

It appears that **questions exist as to County's appropriate regional role in:**

²⁰ Part III of this Report looks at the issues of providing services in different ways to gain efficiencies.

- Specialized police services (K-9, Bomb Squads, SWAT teams, helicopters, marine patrol, etc.). Multiple service providers exist in King County. Some cities rely on the Sheriff's Office for specialized police functions that the County makes available to the region; others prefer to provide their own services, or work in sub-regional coalitions that provide these services. It appears that significantly more resources are collectively dedicated to this area countywide than are necessary to meet the needs of the population)²¹;
- Animal control (Currently there are several service providers within the County; the County's covers most of the geographical area of the County and is largely self supporting through animal licenses fees.);
- District court (We understand there is a disagreement as to whether the County has the option to provide this service to cities; the question is whether providing the service at full cost can be achieved?);
- Economic development (discretionary);
- Regional transportation (discretionary);
- Medic 1 services (These are provided by the County in south King County, and are provided elsewhere in the County by cities and fire districts. The service is almost completely funded by the EMS levy.); and
- Airport.

We do not here attempt to resolve the differences of opinion about the County's regional service role in the foregoing areas. That is beyond the scope of our work. We would simply note that these are all potential areas for continued regional dialogue.

King County is the **Local Service Provider** in the unincorporated areas for the following services (mandated by state law except as noted with asterisked (*)):

- Unincorporated area roads;
- Courts of limited jurisdiction for misdemeanor crimes arising in unincorporated areas;
- Building permits;
- Fire inspections;
- Local police services;
- Jail for unincorporated area misdemeanor offenders;
- Prosecution and public defense of misdemeanant offenses arising in unincorporated areas;
- Human Services*;
- Parks*; and
- Surface water management/storm drainage.

* Not mandated by state law.

Given the extent of mandated services, and the regional consensus around discretionary services provided by the County, we conclude that major savings are not achievable

²¹ See **Attachment E** for excerpt of recent state-funded report summarizing current number of such units funded and staffed across King County by numerous governments.

through “getting out of the business” in major service areas. However, what must be addressed is **means of service delivery and level of service**. We believe significant savings may be achieved by selectively eliminating various programs within service areas, changing the way services are provided, and in some cases reducing service levels.

Generally, limited CX revenues mean that even if annexations enable local service budgets to shrink over time, **regional CX service budgets cannot grow significantly**. Growth and/or service improvements must be accommodated in large part through efficiencies. Absent new revenues, however, the public must anticipate eventual reductions in regional service levels. Specifically, it is not clear that **local service budgets** have been commensurately reduced as annexations have occurred in the last 15 years: this issue must be rigorously managed in the future – or annexations will have the ironic impact of worsening the County’s fiscal situation.

Recommendations:

Near-Term/Immediate Actions:

We identify no services that should immediately be eliminated. However, services and programs must be constantly reviewed for effectiveness and efficiency. And, restraint must continue in considering the establishment of any new programs. Specific recommendations include:

1. **Ensure discretionary contract services are full cost recovery.** This must include not only consideration of overhead and operation costs, but capital costs as well.
2. **Make budget decisions consistent with the County’s growth management vision** (as encompassed in the Countywide Planning Policies). Budget choices should **promote annexation of urban unincorporated areas**, and reflect a *lower service level* for rural areas than for urban service levels (acknowledging some rural subsidy will be appropriate.)²²
3. **Continue to use restraint in initiating new services and programs.** These should not be initiated unless they (1) are mandated, or (2) if discretionary, are either demonstrably able to save money over a period of years (not necessarily immediately); financially self-sustaining; or serve a highly compelling public purpose and can be delivered at a sustainable service level without undermining other budget criteria.

²² We commend the work of the Metropolitan Parks Task Force in laying out a vision for the County’s engagement in regional and local park and recreation that is based on, and consistent with, the County’s growth management vision.

4. **Consider long-term fiscal impacts of decisions; exercise restraint in expending one-time savings or revenues.** One-time revenues should not be used to support ongoing operations, and, it should be a priority to levelize the rate of ongoing budget cuts (rather than have zero cuts one year and major cuts the next year). Where possible, the County should take actions now that can save money in future years. Commendable examples of steps taken to reduce costs in the long run include restructuring of the juvenile justice operations and renegotiated city jail contract.
5. **Determine the impact of discretionary contract services on overhead.** The clearest opportunities to get out of lines of business are in the area of discretionary contracts, such as road maintenance, sheriff service, and district court. The decision to continue these contracts must be based on sound fiscal policy, rather than popularity. The impact of these contracts on organizational overhead should be examined. Specifically, do such contracts *provide relief* to other County functions by supporting necessary overhead infrastructure – or do these contracts *compel larger system investments, including capital investments* (at the Department or Countywide level) than otherwise is required, thus driving up costs to the organization?
6. **Give basic service functions of government records, elections, property assessment – the necessary resources to operate in a highly reliable manner.**

Longer-Term Actions:

7. **Develop long-term funding plans for human services and parks, clearly delineating regional and local roles.** Providing these services will become harder to justify if other regional mandates are constantly threatened by budget cuts and service reductions – as is the case today. Passage of the parks levy in May bought a temporary respite for parks. Although we are not here recommending the mechanism for doing so, action may be needed to preserve a similar baseline of regional human services funding. While we acknowledge there is some consensus emerging between cities and the County as to the County's regional human services role, we could not reach consensus on whether funding of human services is in fact a regional service or the responsibility of cities. And, despite the parks levy, funding parks operations remains a long-term challenge. The County simply cannot contribute significantly more to human services funding or parks unless new revenue sources become available.
8. **Reduce the jail healthcare budget.** While we lack the expertise to make specific recommendations here, a \$19 million a year budget for jail health services – outstripping CX support for either parks or human services – calls out for an examination of potential service reductions.

State Action:

9. **Aggressively oppose additional state unfunded mandates.** This must remain a major effort of the County in its advocacy work at the state level.

Regional Dialogue:

10. **Consolidate and restructure delivery of specialized police functions:** The County should initiate a regional dialogue with cities, the port, and the state to examine this service delivery area. Within King County, there are reportedly 80 different specialty police units provided by at least 8 cities and the County.²³ For example, there are three different marine patrol providers patrolling Lake Washington. There are multiple SWAT, Bomb, and K-9 teams. There is unquestionably excess capacity here. Can the County continue to afford an air patrol? The control issues here are formidable – but the dollars on the table are potentially very significant if a more rationalized service delivery mechanism can be agreed upon.

We are not proposing necessarily that the cities get out of this business nor that the County do so: we believe duplication means the public is collectively paying much more than necessary for these services which creates the potential for significant savings to King County and other governments. On the one hand, a single service provider may provide the greatest opportunities for efficiencies; on the other hand, absent competition and operational reviews, a single provider may have little incentive to continually seek efficiencies. Perhaps the existing Emergency Medical Service (EMS) model is an appropriate place to begin discussion, in that it has multiple service providers but the total amount of services funded is based on a regional assessment of medic units required to meet agreed upon standards, and operations are regularly assessed for their cost and efficiency.

PART III: ADMINISTRATIVE AND OPERATIONAL POLICIES AND EFFICIENCIES

The Challenge: King County is not as efficient as it could be. Causes include:

- The complexity of the County organization, including the broad diversity of services provided.
- A highly political organizational environment with a multitude of separately elected officials. This can make the internal governmental processes time consuming, duplicative, and unconstructive.

²³ See Attachment E, Excerpts from “Study of Law Enforcement Specialty Services” commissioned by the State and completed in September 2001 by MGT of America, Inc.

- Labor policies discourage contracting services out to other service providers where such alternatives may be more efficient.
- Recurring concern and confusion about overhead costs: the overhead model is complex and little understood by internal or external clients.
- Lack of standardized practices, processes and systems for basic business functions.
- Lack of funding to develop and maintain needed central systems, particularly information technology systems and financial and payroll systems.

Analysis: Significant savings and efficiencies have been found in the last two budgets. But opportunities for greater efficiencies clearly exist. Sound management principles must continue to be reinforced in the government. We note with concern Governing Magazine's February 2002 report card of King County giving weak grades in "Information Technology," "Managing for Results," and "Human Resources." It does not appear to us that the County has an internal culture that generally rewards efficiency or manages for performance. The County's future success requires that it is able to make the case that it is an efficient and effective steward of public tax dollars.

We see two major challenges to the County's operations: the lack of strong central management systems and practices, and the labor environment. These issues have been outlined in Part I of this report. The multiple financial and payroll systems are particularly of concern, as is the disparity of operational practices and procedures. In recognition of the challenge, the Department of Executive Services has or is about to launch a series of "unification projects" that seek to balance the departmental desire for autonomy with the need for standardized rules and procedures – and holding departments accountable for compliance. This is a common practice in the business world, with notably positive results and should be encouraged within the County.

Regarding the labor environment: the County's first job is to provide public service, not to employ people. New ways of providing service must be considered if they are the only ways to maintain service levels within available revenues. This may or may not suggest contracting out of services and programs – depending on the public service objectives and the opportunities to meet those objectives with fewer taxpayer dollars.

Recommendations:

Near Term/Immediate Actions.

1. **Create a stronger culture of efficiency within the organization.** All branches, and all departments, of the County government must consider whether they are themselves efficient, and whether they are supporting efficiencies within the government as a whole. The County should not limit its efforts to addressing efficiencies only within CX agencies. An emerging culture of "haves" and "have-nots" within the County (distinguishing cash-strapped CX agencies from others)

is apparent and not positive for County government as a whole. Being “revenue-backed” is not a reason to ignore the need for efficiencies, particularly in the delivery of local services that are collectively being subsidized. Drawing from the input we received from department directors, we encourage the County to increase accountability at all levels of the organization. Managing for performance, benchmarking, and performance measures: these tools must become part of daily management practice at the County. Incentives should be put in place to help make this cultural change take place: examples such as the **Wastewater productivity initiative** should be replicated elsewhere in County government. Policies that arguably discourage savings – such as the budget office **capturing all under-expenditures – should be eliminated**. Duplicative processes and reporting requirements that waste time and resources should be streamlined. For example, we question the value of including over 140 budget provisos in the 2003 budget: the time required to respond to these provisos is significant, and it is not clear that the benefit of the reports outweighs the diversion of so much managerial time.

2. **Implement additional efficiencies and control costs in the law, safety and justice arena, through pro-active work of the Criminal Justice Council.** With over 70 percent of the CX Fund expenditures, unquestionably, law, safety and justice functions should not be immune from the need to become more efficient. The culture of autonomy within the separately elected areas of government – sheriff, prosecutor, district court, superior court – must be challenged: coordination and transparency are key to efficiency. The Criminal Justice Council must provide leadership to identify efficiencies and ways to control costs. Without their input, cuts will still have to be made – but perhaps in a less than optimal way. The Task Force respects the expertise of these groups to help identify the most appropriate efficiency tools.

All law safety and justice agencies need to be actively engaged in this effort with the Executive. Are current means of providing services the most efficient and effective? Are specialty courts worth their higher operating costs because of other systemic savings provided? Is service delivery becoming more or less efficient on a per capita or caseload basis? Are service levels growing or declining? Questions such as these should be answered and tracked over time in a consistent manner. Innovations that can streamline operations and save money must be aggressively sought out and implemented. Recent initiatives such as creating a - Community Corrections Division with the Department of Adult and Juvenile Detention are important steps, as is the work encompassed in the Juvenile Justice Operational Master Plan and Adult Justice Operational Master Plan. Efforts to reduce the average daily jail population in the County’s jails should also continue.

As an initial step, we strongly encourage an investigation of the potential to save money through **consolidating the administration of district and superior courts**. Ultimately, consolidation of the courts themselves may also be needed to bring additional efficiency to operation (this would require state legislation).

3. **Provide greater transparency in presenting the budget and budget and operating policies.** The County budget should set forth separate *regional service* and *local service* budgets – detailed by type of service and geography. The County should know how much it spends in *each PAA* on local service. This should be a priority in developing the 2004 budget. Clarity is particularly needed for the law, safety and justice budgets managed under direction of separately elected officials: *budget and management information from these departments must be fully accessible to the Executive and Council*. Uniform definitions should be developed and employed across the organization when presenting budget information – particularly in the area of *departmental and division overhead*. Effort should also be made to make the *overhead model more understandable*, as we heard considerable concern and confusion on this subject.

4. **Streamline, simplify and standardize operations, practices and policies.** Departments, separately elected officials, and union leaders must be willing to align operations practices and procedures for the benefit of the entire County organization. It is not possible for the Task Force to quantify the savings possible from these items, but our observations suggest that the savings could be significant, given adequate time and funding to implement these suggestions. Engaging all employees in a search for productivity improvements has had demonstrated effect in the business world, yielding as much as five percent annual savings on an ongoing basis. The Department of Executive Services (DES) initiative to make internal practices more uniform is potentially very important initiative. In addition, there should be an ongoing rigorous and comprehensive effort (again involving personnel at all levels of the organization) to *find internal and external barriers to efficiency* – outdated code provisions and policies – and to remove these barriers where possible.

5. **Invest in central systems:** Technology investment in central systems is lagging and must be addressed. The price tag associated with these investments is significant. The County should make it a priority to direct one-time resources to fund these capital investments. Financial Systems Replacement Program (FSRP) should be a high priority. We also believe the timeline for replacement/acquisition of needed systems can and should be significantly accelerated. To truly realize the benefits of upgraded systems, the County must simultaneously implement greater standardization of basic business practices and procedures. As part of this whole effort, the County should review the experience of the City of San Diego that apparently outsourced much of its Information Technology (IT) function in a manner that preserved individual employee jobs by moving them to private employer.

Longer-Term Actions:

6. **Secure efficiencies through new methods of service delivery: first seek employee ideas and actions; if necessary, contract out services to other**

governments or to the private sector. Contracting out is not universally appropriate or cost effective. In particular, the ability to perform services may not exist in some cases outside government, and in all cases sunk investments and the interests of the public must be considered. The County has achieved significant successes through partnership with labor, and this should continue wherever possible. Employees may have the best ideas about how and where to find efficiencies in County operations – and should be actively engaged in this type of inquiry. In fairness, public employees should be given the opportunity to provide services at a competitive cost to private sector options before alternative service providers are engaged. But ultimately, the goal should be to preserve service levels to the public, not public sector jobs. Some specific ideas that we believe should be pursued include:

- a. **Amend the County Charter and labor policies** to expand the ability to contract out to both the public and private sector where it can preserve public service levels.
 - b. **Pursue “reverse contracting” with cities.** For example, can the City of Bellevue provide equivalent police services as are currently being provided by King County in the neighborhood of Eastgate – but at less cost? Can some cities provide maintenance of neighboring County parks at less cost than the County? The geographically fragmented service area of King County suggests there may well be such opportunities – and the lack of current examples is therefore somewhat surprising. The Task Force encourages the County to actively investigate this idea – *where it can save public dollars.*
7. **Collaborate with other governments.** We would emphasize the importance of maintaining positive dialogue with regional partners – cities, special purpose districts, other counties. King County does not exist in isolation, and we are convinced that the cooperation of other governments will be key to resolving the County’s problems in the longer-term. For example, there may be savings achieved through joint purchasing agreements in areas such as fleet or insurance. We suspect there is a great amount of duplication in the delivery of public services as between the nearly 200 units of government within King County. Opportunities for more efficient service delivery through consolidation must continually be sought out.
8. **Aggressively seek cost control of salaries and benefits.** With these items consuming over seventy percent (70 percent) of the CX dollars, these areas must be a central consideration balancing the budget. The County must consider its employee benefits package: the County has yet to adopt innovations in this area that may assist in controlling annual cost increases. Work on this should begin now, even though the current benefits contract will be renegotiated in three years. Data from the state indicates that King County top managerial salaries lag behind both private and public sector comparables. While the County must continue to

be vigilant in controlling costs, this raises an underlying basic competitiveness issue: King County must be able to attract and retain good employees.

9. **Examine options to reduce facilities costs.** The County now rents nearly 300,000 square feet in downtown Seattle in numerous office buildings. Should the County buy some building instead? Or build them on land it owns? Should so many County services be in downtown Seattle, given real estate market, lower cost options elsewhere in County? Would greater efficiencies occur from having County functions physically consolidated? The County should undertake a *comprehensive analysis of office space options*.
10. **Explore detention alternatives.** The County should determine whether it would be less expensive to send its low risk prisoners (who otherwise do not qualify for alternative detention) to Yakima, as many cities have done. We understand that the County could only reduce costs on a marginal basis through such steps, so this may not result in savings (in which case, it should not be pursued).
11. **Revise jail employment structures.** In partnership with unions, the County should investigate whether operating efficiencies at jail could be achieved through broader – and far fewer – employee job descriptions than the current 64 separate job titles currently in place.

State Action:

12. **Advocate for greater flexibility in the labor area.** In particular the County should seek changes to binding arbitration requirements in order to provide greater ability to control costs.
13. **Seek changes in state law that will give cities and county tools to act together to achieve greater efficiency.**

Regional Dialogue:

14. **Sponsor “Best Practices” forums with other governments in the region.** These may be helpful in identifying ways others have addressed common challenges of controlling cost of benefits, managing for performance, benchmarking, contracting out, and similar matters.

PART IV: ALIGNING SERVICE EXPENSES AND REVENUES: ANNEXATION
AND THE “URBAN SUBSIDY”

The Challenge: The current allocation of regional dollars to fund local service budgets is significant: over \$40 million a year. While some rural service subsidy is necessary and appropriate under growth management principles, the Task Force believes that acting to address the urban area subsidy may be the single most important step the County can take to address its fiscal challenges. If the “urban subsidy” is eliminated, it will *create significant breathing space for regional service budgets* for several years – although it will not eliminate the County’s long-term revenue problem.

Analysis: As noted in Part I of this report, the County has a number of *regional service roles* and *local service roles*. The County similarly has revenue sources that are collected regionally, and others that are collected only from unincorporated local service areas. As a *policy matter* there is consensus that, ideally, regionally collected dollars should be spent to support regionally provided services – thereby matching those who pay for, and those who receive, the service. Similarly, as a policy matter, unincorporated area dollars should support local services provided in the unincorporated areas. There is now general consensus between the Executive and cities as to which of the County’s revenues are “regional” and which are “local,” resulting in the calculation of the subsidy at approximately \$42 million this year.²⁴ Of this \$42 million, an estimated \$27 million is attributable to local service delivery in the urban unincorporated areas – areas that as a matter of regional policy (as expressed in the CPPs, which were developed in partnership between cities and the County) are to be annexed by cities.

The County cannot force annexations to occur under current law. And, after over a dozen years of growth management, major annexations have not yet occurred. A key barrier for cities to annexing is the cost of providing service in these areas, and infrastructure deficits. Providing incentives to cities in service dollars or capital project funding has helped promote some annexations in the past. Citizen support has also been a critical component of successful annexations.

The County has unsuccessfully sought to close the “subsidy” through new taxing authority. Specifically, an unincorporated urban area utility tax, similar in nature and amount to that currently authorized for cities, would generate an estimated \$30 million a year. We endorsed this concept earlier this year in hopes the state legislature would pass authorizing legislation.²⁵ This single action could eliminate the urban subsidy in the short-term.

We believe the County should no longer maintain current local service levels in urban unincorporated areas at the expense of regional service budgets. Urban unincorporated area residents must understand that their taxes do not support their current level of service and that the region’s plans call for them to annex (or if viable,

²⁴ The key change occurred when the County agreed to classify its sales tax collections from within cities as “regional” in nature. A further refinement has been to split the County’s unincorporated area sales tax receipts into two categories: 85 percent of such receipts are considered local, 15 percent are considered regional. When the County previously considered all sales tax receipts to be “local” in nature, this meant there was no subsidy – “local” dollars fully paid for local services.

²⁵ See **Attachment I** for a copy of our letter to state legislators on this subject.

incorporate). And, if cities are truly committed to having the County provide quality regional government services and ending the “urban subsidy,” cities must work to complete the remaining annexations.

The subsidy did not arise overnight, and will not be eliminated overnight. Currently, nearly 70 percent of the subsidy from regional dollars is being applied to fund local law, safety and justice expenditures. At the same time, the County is spending an estimated 60 percent of its local revenues on roads.²⁶ The major *local revenue sources* – and key policy limitations in their expenditure – are as follows:

- **Unincorporated Area Property Tax** (generally known as the “road levy”). *This revenue source generates over \$58 million a year.* It is *legally* available for all general government purposes in the unincorporated area but as a matter of *policy* has been dedicated solely to roads purposes since the 1980s. There is a small penalty for “diversion” to other uses in the loss of some state revenue. Currently, significant road dollars are expended on transportation improvements *within* cities and otherwise classified as “regional” in nature.
- **Real Estate Excise Taxes (REET).** *This tax raises about \$13 million a year.* Similar to the unincorporated area levy, this funding source is *legally* available for a broad array of capital purposes in the unincorporated area – but is limited by *County policy* to be spent entirely for parks and recreation purposes.
- **Surface Water Management Fees (SWM).** *SWM fees generate over \$18 million a year in total revenue.* These funds can be used to provide local surface water management and drainage projects, as well as projects with related environmental benefit.

Unless the County is willing to make an explicit decision that local services to the urban unincorporated are more important than regional services then the County must actively take steps to reduce the subsidy of the urban unincorporated areas. However, until these areas are annexed, options to address the subsidy are limited.²⁷ The County can:

²⁶ See **Attachment G**, which sets forth the major sources of unincorporated area revenues. Excluding criminal justice sales tax dollars and surface water management fees that cannot legally be spent on transportation, over 60 percent of the remaining local revenues are currently allocated by King County to roads and transportation purposes.

²⁷ With a remarkable degree of consensus, cities have proposed a set of solutions to this issue (and to the County’s CX challenges, generally): **Attachment F** includes letters and a white paper submitted by cities. Included in suburban city recommendations specific to the subsidy are: imposing a moratorium on all building in the UGA, diverting the road fund, promoting annexation, and reducing local service levels. We reject the first solution, and endorse the latter as described herein. Regarding the moratorium, it is probably true that residential development along the urban fringe exacerbates the urban subsidy in some places. The County should consider this fact in its development decisions. Rezoning to allow commercial development in some urban unincorporated areas may be appropriate if it would result in a better balance of expenditures and revenues for the County. Ultimately, a moratorium may not be legal.

- *Re-allocate revenue from all local revenue budgets to pay for more of these urban local services that are being subsidized by regional dollars, most notably, law, safety and justice expenditures.* This would directly reduce the subsidy and increase the amount of regional dollars available for regional services--with corresponding cuts to those local service budgets.
- *Reduce services to match revenue levels;*
- *Continue to subsidize local service budgets; or*
- *Secure new revenue from state.*

Although it will be politically challenging, we believe the County should pursue **all** these options –*while also working to promote the annexation of remaining urban unincorporated areas.* We believe it is neither politically feasible, nor fair to urban unincorporated area residents, to simply slash services overnight in order to eliminate the subsidy – particularly so long as cities have not annexed these areas, and so long as the CPPs require that these areas receive an urban level of service. Completely eliminating the subsidy by reallocating other local service budgets may be too devastating to those service areas – but the allocation of over 60 percent of local revenues to roads is no longer supportable in this crisis. The County has unsuccessfully sought new revenue from Olympia to address the subsidy, but we believe that effort must continue. In sum, the County must pursue a variety of options to reduce the subsidy and minimize the conflict between its regional and local service responsibilities.

Recommendations:

Near Term/Immediate Actions:

1. **Initiate a comprehensive strategy to simultaneously encourage annexation and reduce the “urban” portion of the local service subsidy.** On a time-limited basis – we propose **three years at the longest** – the County should *re-direct its local revenues to (1) encourage annexation and (2) reduce the subsidy amount.* All local revenues – particularly the unincorporated area property tax levy, Real Estate Excise Taxes, and surface water management fees – should be made available in some degree to support this program. The goal is to focus as much money as feasible – on a time-limited basis – to secure annexation through agreements with cities *and* take immediate steps to reduce the subsidy by (1) – reducing service levels and (2) reallocating local dollars to fund more of the local service budgets. At the end of this period, progress must be assessed, and new budget limits established to ensure that the subsidy thereafter does not get worse. This initiative should be launched as part of the 2004 budget.

The County must be unwavering in its commitment to publicly promote annexation. It must be willing to start to immediately reduce services and realign expenditures. In partnership with cities, the County must initiate public dialogue to build grass roots support in PAAs for annexation. Residents must understand that they will see service reductions – and that the only way this can change is if the County imposes new taxes on them or if they annex. Outreach efforts must be tailored to the needs and characteristics of individual communities. The County must be prepared to put substantial dollars on the table for cities (albeit far short of various estimates of ‘urban infrastructure deficit’) to promote annexation.

This initiative will require significant restructuring of current capital improvement programs and operating budgets for local service programs. It will also mean *halting or scaling back plans to bond these revenues* – since if the effort is successful, the tax base to repay such bonds will be transferred to cities. We believe this re-structuring, while painful, is well worth the end result of aligning County revenues and expenditures, transferring responsibility for expensive service areas, and achieving the regional land-use vision. In practical terms, the reallocation of local revenues can simply mean a delay, rather than cancellation, of projects. Given the magnitude of the budget problem the region must understand the urgency and importance of achieving these remaining annexations.

Three important clarifications to this proposal must be clear:

First, we are not proposing that the County “buy” its way out of the urban unincorporated areas by eliminating infrastructure deficits. There is woefully inadequate funding to do so. Frankly, we do not believe immediate infrastructure upgrades are required in an annexation. Portions of Seattle have been without sidewalks for decades since they were annexed. Eliminating infrastructure deficits using only unincorporated area dollars is not possible in any reasonable time frame, and eliminating infrastructure deficits using regional dollars is not a responsible action given the current pressure on those budgets. And, funding today is much tighter than it has been historically.

Second, Cities cannot fairly insist that the County completely eliminate the subsidy if the urban areas do not in fact annex. Cities would themselves subsidize these areas. Service reductions are inevitable (and appropriate) absent new local revenue streams. But ultimately, if areas remain un-annexed, the cities cannot – fairly continue to complain about the subsidy – and some nominal subsidy will, absent new revenue, be necessary to provide urban levels of service.

Third, we are not proposing a “dollar-in dollar-out” approach to serving each individual PAA. Just as cities transfer tax dollars from their commercial areas to support residential neighborhoods, the County needs budget flexibility in directing its local service dollars. A few PAAs may now be net exporters of local service dollars: that may well be appropriate.

2. **Identify the basis and targets for cutting from all local service budgets as annexations occur.** Dollar-for-dollar budget reductions may well be impossible as tax base gradually disappears, leaving potentially even more diffuse geographic service responsibility for the County. However, every effort must be made to reduce local service budgets commensurate with the loss of local revenues. Work must begin immediately to map out the basis on which these cuts will occur.
3. **Quantify the current rural subsidy and rural service levels – and track them over time.** Unless the region wishes to revisit its growth management vision, a rural subsidy is appropriate. But as part of the overall challenge of making the County budget more transparent, the rural subsidy and rural service levels should be quantified and tracked, so that the region can see that rural service levels are provided, and the price tag for doing so. As called for in the CPPs, rural service levels should be demonstrably lower than urban service levels.

Longer Term Actions:

4. **Consider seeking legislation to equalize taxing authorities as between cities and unincorporated areas.** In the long-term, if annexations do not occur, and the County's revenue problems continue, such solutions may be dictated. We recognize that this would take major state legislation, and would probably be a more costly alternative for these areas than annexing to neighboring cities, but we do not think the County should continue to sacrifice regional service levels to fund its local service responsibilities.

State Action:

In addition to new revenues sources (outlined in Part V of this report), the County should:

5. **Advocate for a change in state law that will provide for automatic transfer of local parks and recreation facilities to cities upon annexation.**
6. **Advocate for changes in law that will streamline the annexation process.**

Regional Dialogue:

7. **King County and cities should work in the immediate term to refine the annexation strategy we have outlined.** Even absent consensus, we believe implementation of this strategy should begin in the 2004 budget.

PART V: REVENUES

Challenge: The County revenue structure is inadequate to meet the demands of the County's service obligations. While significant effort can be made to forestall or reduce service cuts by doing business differently, ultimately it will not be possible to maintain service levels for a growing population with revenue growth of less than 2 percent per year.

Analysis: As was noted at the outset of this report, the primary cause of the revenue challenge is the heavy dependence of the County on property tax, and the absence of other viable revenue options. The County must provide local services but has far less revenue authority than cities enjoy. This inequity not only contributes to the regional subsidy of local services, it also creates a potentially significant barrier to annexation – urban unincorporated area residents observe that they will be subject to new types of taxation should they annex. As we have also seen, cities have expressed reluctance to annex because of the poor condition of urban unincorporated area infrastructure, a result of the County's limited revenue authorities.

Even if our proposed strategy to accelerate annexation and reduce the subsidy succeeds, the slow growth of regional revenues – again, heavily dependent on property tax – will continue to be a problem for the County. The city mayors who spoke to us during our deliberations noted the importance to their jurisdictions of having a strong regional government. We concur: all residents have a stake in the County becoming fiscally stable and providing quality regional services.

The lack of state support for courts, indigent defense, and handling of aggravated murder cases is a particularly frustrating aspect of the County's challenge. The legislature's rejection of the unincorporated area utility tax is similarly discouraging. Pressure must be brought to bear on the state to address these issues if the County is to achieve long-term fiscal stability.

Absent additional state shared revenue, or revenue authority, the County has limited options to maintain regional service levels. We would not expect voters to approve general tax increases for the County. Rather, as we have seen in the past – with AFIS, EMS, and more recently, the parks levy – voters prefer to know where their money is going. Cities themselves routinely use special levies to secure program funding. For the County to do so as well is not inappropriate. At the same time, the more the County can convey about its priorities, its vision, its plans for providing all services over a several year period, the more concerns about “piecemeal” funding solutions can be answered.

Recommendations:

Immediate/Near Term:

1. **Provide better public information about the County's roles and revenues.**
Lack of public understanding is a barrier to reform in Olympia, and a barrier to moving the annexation agenda. It is critical that the public better understand the implications for basic County services resulting from the current property tax

limitations and annexation patterns. The County public television station could be a useful tool for this purpose. County elected officials need to become educators and advocates for the government: much could be accomplished if the County's 94 elected officials presented a united front.

2. **Include a concise statement of the fiscal vision for the next several years in the annual budget.** Will new taxes be necessary? If so, for what purposes? Are major new initiatives planned? Are major reductions planned? As noted, while the public generally is unlikely to grant generic "county purposes" tax increases, funding solutions will in all likelihood include periodic special purpose levies as there are limited options to otherwise avoid service cuts and secure wanted new programs. Special purpose levies are easier to justify, however, in the context of an overall plan for the government – so the public isn't wondering when the next request for tax dollars is coming.
3. **Secure full cost recovery on all contracts.** This should include not only overhead and operating, but capital costs as well. This recommendation has been earlier stated, but bears repeating. It is illogical to undertake a major effort to annex areas in order to eliminate the subsidy of County local urban unincorporated area services – only to then continue to subsidize cities through contracts.
4. **Impose fee increases where possible to avoid further service cuts.**
5. **Aggressively pursue grant opportunities.**
6. **Develop a long-term funding plan for parks and human services.**

State Action:

The State must act to grant more revenue autonomy to counties, particularly in fee setting.²⁸ And, again, the State must refrain from enacting more unfunded mandates. Some specific proposals for state legislation follow:

7. **Grant urban counties planning under GMA authority to impose a councilmanic utility tax in urban unincorporated areas,** comparable to existing city authority in scope and amount. This is single most significant step the state could take (without impacting its own budget) to assist the County.
8. **Grant counties authority to raise district and superior court fees.** We would propose full-cost recovery for some civil cases where for example large corporate parties are involved who can easily afford such fees.

²⁸ SB 5659, Laws of 2003, was signed into law by Governor Locke as we concluded our deliberations. This legislation provides new voter-approved sales tax authority to the County, proceeds of which are to be shared on a 60-40 basis with cities. We have not had an opportunity to discuss how, or whether, the County should use this new authority and we make no recommendations in this regard.

9. **Reduce the state's take from locally generated court fees.** Over 40 percent of the fees generated at District Court now are remitted to the state for other programs: those dollars would make a critical difference in the County's ability to continue District Court programs.
10. **Institute authority to impose Superior Court fees on a "per pleading" basis,** as is done in California and numerous other states.
11. **Increase direct state support for District and Superior Court.** The state's sole current contribution – one half the salaries of Superior Court judges – puts it 49th in the nation in supporting courts, according to the State Administrative Office of the Courts.
12. **Provide some funding support for indigent defense costs.**
13. **Increase legally permissible uses of the Real Estate Excise Tax (REET).** This tax can only be spent for *capital* purposes. As was recommended by the Metropolitan Parks Task Force, some portion of this significant tax source should be available for maintenance purposes – for example to support the operation of capital improvements acquired with REET funds. A further change worth considering would be to allow larger portions of this tax – perhaps all of it to be applied to maintenance purposes in times of an economic downturn.
14. **Continue to fund basic public health.**
15. **Provide state funding for a greater share of the extraordinary aggravated murder costs experienced by counties.** These have reached such a magnitude in King County – even excluding the Ridgeway case – that they threaten the ability to maintain service levels throughout the County's criminal justice system.
16. **Provide direct state funding to counties for defense costs in dependency and termination cases.** It is inequitable for the state to pay for prosecution of these cases at several times the rate that counties are able to pay for defense of these matters.
17. **Allow Counties to set public records and license fees at levels that will more closely approximate the full cost of service.**

Regional Dialogue

18. **Work with other government associations to jointly develop and advocate legislative agendas.** The "Tri-Association" agenda approach in which the cities, counties and public safety lobbying organizations all worked together in the 2003 legislative session is a potentially very powerful new initiative that should be continued. And, given the importance to the business community of a healthy

regional government, we would encourage the County to seek business community support of its legislative agenda where possible.

PART VI: CONCLUSION

King County general government is in a crisis situation. Current service delivery is not sustainable. The challenge before the County – indeed, the region – is daunting. After the few short months of our inquiry into general County government funding and operations, we are sobered by the complexity of the situation, and by the many steps that have *already* been taken to address this challenge.

Despite several years of aggressive budget cuts by the County, unless *continued* steps are taken to trim programs, streamline operations, apply greater management rigor, challenge traditional service delivery mechanisms, shed remaining urban unincorporated areas to cities, and successfully lobby the state for additional revenue tools, a steady decline in the quality of County general government services is unavoidable. Even if the County is able to make major progress in terms of efficiencies, ultimately it cannot achieve long-term financial stability without the assistance of the state and the local governments in this region (particularly those who are stakeholders in annexation).

It is said that democracy has many attributes but efficiency isn't one of them. Yet, we are confident that the County can and will take important steps to improve its effectiveness and efficiency in delivering services. In so doing, citizen confidence in our government will improve. We appreciate the difficulty of the task ahead. We appreciate also the opportunity that the Executive has given us to provide him our assessment and recommendations. A strong regional government, and effective local government for the rural area, is in the interest of the entire region. We would offer as a Task Force to reconvene briefly in 2004 to assess progress on the agenda of work we here propose, and offer as well our continued services in advocacy for the betterment of County government.

King County Budget
General Fund Appropriations

	2006		2007		2008		2009		2010		2006-2010 difference		
	Adopted	Adjusted	PSQ	Adopted	Adjusted	PSQ	Adopted	Adjusted	PSQ	Adopted	Adjusted	Adopted	Adjusted
9103	5,347,073	5,347,073	5,672,850	5,660,302	5,660,302	5,838,995	5,840,936	5,840,936	6,075,404	5,659,283	5,608,676	5,759,711	5,357,694
3330	8,033,272	8,352,042	8,358,261	8,807,522	9,144,522	9,244,621	9,453,814	9,453,814	10,035,490	9,324,097	8,757,054	9,637,154	8,361,400
2017	727,825	792,768	724,301	720,648	720,648	760,406	759,730	759,730	776,315	711,932	704,913	713,552	608,059
5796	1,339,311	1,339,311	1,389,718	1,516,655	1,851,355	1,676,115	1,648,287	2,018,287	1,808,860	1,710,128	1,764,148	1,820,816	1,576,130
5169	1,020,365	1,020,365	1,083,769	1,112,900	1,112,900	1,147,078	1,332,238	1,332,238	1,398,979	1,325,020	1,337,062	1,270,258	1,146,556
5432	641,021	641,021	674,692	675,395	675,395	708,703	707,101	707,101	748,020	707,254	701,716	709,896	625,502
7971	618,544	618,544	641,628	641,623	641,623	674,199	678,939	678,939	697,432	737,297	727,750	689,122	704,407
				404,172	404,172	420,489	424,860	424,860	443,461	400,044	365,357	384,804	357,042
				200,000	110,625	205,026	205,983	205,983	216,108	194,109	92,323	193,918	308,902
1818	17,727,411	18,111,124	18,545,269	19,739,217	20,321,542	20,675,632	21,051,888	21,421,888	22,200,969	20,769,164	19,789,999	21,179,231	19,045,692
1537	294,914	294,914	296,294	296,301	296,301	312,065	312,246	312,246	315,727	324,710	320,193	334,047	322,596
3688	3,304,885	3,304,885	3,393,707	3,624,024	3,624,024	3,864,880	3,888,122	3,888,122	4,130,863	4,056,360	3,767,163	4,280,471	3,635,504
3683	6,167,464	6,203,776	6,505,936	6,536,759	6,536,759	6,737,512	6,776,193	6,776,193	7,070,820	4,708,699	4,393,777	4,808,944	4,299,664
									2,027,628	3,955,122	3,689,908	4,085,732	3,587,019
8321	2,073,158	2,283,158	1,964,127	2,246,932	2,321,851	2,076,760	2,434,962	2,434,962	2,076,760	2,434,962	2,434,962	2,076,760	2,434,962
1004	8,240,622	8,486,934	8,470,063	8,783,691	8,858,610	8,814,272	9,211,155	9,211,155	9,998,448	8,663,821	8,083,685	8,894,676	7,886,683
7993	3,220,699	3,220,699	3,374,928	3,136,518	3,136,518	3,294,989	3,275,075	3,275,075	3,157,227	3,542,050	3,302,334	3,302,334	3,902,998
7780	1,396,623	1,396,623	1,444,276	1,566,511	1,566,511	1,623,292	1,526,410	1,526,410	1,541,391	1,254,350	1,246,764	1,430,899	1,315,793
1325	2,306,478	2,306,478	2,450,468	2,593,086	2,593,086	2,723,049	2,769,177	2,769,177	2,787,065	2,418,994	2,201,582	2,554,017	2,839,068
5708	8,181,844	8,181,844	8,723,031	9,469,939	9,469,939	9,587,959	9,676,553	9,676,553	10,169,468	9,253,527	8,921,000	9,388,720	8,345,572
4259	203,512	268,512	207,776	206,032	206,032	213,111	212,910	212,910	206,454	357,749	369,966	350,878	329,641
8339	2,793,133	2,832,133	3,111,620	3,145,059	3,145,059	3,357,939	3,409,506	3,409,506	3,558,756	3,581,541	3,552,726	3,880,898	3,667,343
8774	2,261,535	2,261,535	2,402,060	2,306,432	2,453,521	2,416,775	2,526,627	2,526,627	2,640,426	2,798,291	2,827,592	2,668,984	2,500,592
9333	22,887,207	26,251,125	24,219,428	26,560,599	26,458,125	32,517,089	19,586,066	21,223,793	18,399,441	18,030,757	17,874,893	17,633,518	18,440,771
							12,522,230	12,731,512	13,270,675	13,046,715	12,919,225	12,881,857	10,928,072
							32,113,286	33,955,295	31,664,116	31,077,472	30,794,118	30,515,375	29,368,843
7361	667,278	667,278	687,390	687,461	687,461	687,382	687,302	687,302	677,373	687,246	687,346	687,321	807,227
5530	284,263	284,263	299,680	299,928	299,928	312,140	321,950	321,950	333,682	335,003	331,909	346,264	328,012
	100,000												
1096	498,005	498,005	498,005	538,208	538,208	538,244	538,294	538,294	554,652	563,129	563,129	554,674	426,757
1000	2,943,000	2,943,000	2,943,000	2,943,000	2,943,000	2,943,000	2,943,000	2,943,000	2,943,000	2,943,000	2,943,000	2,943,000	2,943,000
1000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
5982	764,437	877,130	764,437	764,199	764,199	764,699	777,622	777,622	777,622	8,678,619	8,203,196	9,587,598	7,782,733
814	18,644,205	18,644,205	18,644,205	18,644,205	18,644,205	18,644,205	18,644,205	18,644,205	18,644,205	18,644,205	18,644,205	18,644,205	18,644,205
7226	95,333,362	96,433,002	99,333,091	101,189,590	104,151,582	110,098,205	142,226,284	144,068,211	140,310,860	137,879,478	136,036,521	138,106,409	130,833,068
1062	40,154,745	40,294,745	41,301,428	42,294,437	42,909,832	44,372,885	44,797,882	45,127,321	42,604,588	42,919,304	42,967,291	40,767,990	42,710,781
1915	17,299,866	18,149,443	18,439,745	18,464,861	18,521,575	19,516,965	19,654,117	19,654,117	18,782,475	19,875,017	19,697,239	19,029,757	18,738,872
3609	22,076,444	22,889,815	23,755,277	23,994,290	24,329,890	24,387,347	26,148,114	26,288,114	25,360,495	26,147,480	26,065,747	25,062,910	26,243,059
1825	115,577,676	116,965,861	120,982,998	123,027,380	123,908,075	127,522,011	131,697,869	132,178,862	128,816,075	135,290,117	138,849,120	138,708,969	142,105,525
1078	644,113	644,113	650,212	650,729	650,729	660,437	660,514	660,514	677,258	675,800	672,407	699,122	861,174
1730	51,911,209	51,977,518	53,677,676	53,994,047	54,261,967	56,619,647	57,375,940	57,375,940	56,857,620	56,194,292	56,294,232	55,046,227	56,415,164
1897	119,897	119,897	119,897	119,897	119,897	119,897	119,897	119,897	119,897	119,897	119,897	119,897	119,897
1279	103,464,269	107,845,912	108,576,816	112,245,453	115,479,773	117,528,056	119,614,672	120,223,986	117,269,141	124,850,849	131,575,983	134,940,012	126,572,988
1559	22,737,321	23,456,781	24,164,401	25,276,404	25,380,404	26,116,854	26,722,724	27,046,786	25,826,838	29,696,809	29,196,158	27,881,575	24,662,824
3247	36,444,688	38,215,802	36,120,022	37,119,417	37,972,232	38,445,951	39,770,059	40,925,172	37,995,669	38,102,834	35,172,930	37,232,246	787,558
1541	1,306,011	1,495,237	1,223,830	924,234	924,234	924,598	925,550	925,550	925,915	923,659	923,659	923,752	292,144
1000	32,000	32,000	32,000	6,900	6,900	6,900	6,900	6,900	6,900	6,900	6,900	6,900	6,900
1742	411,768,239	422,087,124	429,044,302	438,118,049	444,465,508	456,221,548	467,494,238	471,133,159	455,242,871	455,097,715	484,471,457	458,360,041	476,591,574

64,823,335 15.74%

