



King County

Dow Constantine

King County Executive

401 Fifth Avenue, Suite 800

Seattle, WA 98104-1818

206-263-9600 Fax 206-296-0194

TTY Relay: 711

www.kingcounty.gov

September 27, 2022

The Honorable Claudia Balducci
Chair, King County Council
Room 1200
C O U R T H O U S E

Dear Councilmember Balducci:

I am pleased to transmit my proposed budget for the 2023-2024 biennium and accompanying legislation for consideration by the King County Council. This budget continues funding for important services, advances priorities that reflect the values of King County residents, and furthers our progress making King County a place where everyone can thrive.

My proposed budget advances priorities in four key areas, highlighted below.

Safety and Justice - making King County safe for everyone. Reduce crime and gun violence and unwind generations of systemic racism through investments in:

- Gun violence prevention;
- Anti-racist and de-escalation training for King County Sheriff's Office (KCSO) and Department of Adult and Juvenile Detention (DAJD) officers;
- Body-worn cameras for KCSO deputies;
- Programs to divert first-time, non-violent cases from the criminal legal system to community-based alternative services;
- Co-responder programs that pair trained behavioral health professionals with law enforcement to respond to community members in crisis; and
- Reducing the legal system case backlog caused by the COVID-19 pandemic.

Housing and Homelessness - ensuring all people have equitable access to stable, safe, and affordable housing. Making homelessness rare, one time and brief when it happens, with wraparound services for those who need them through investments in:

- Building affordable housing near transit stations;
- Opening a sobering center;
- Supporting operations, maintenance, and services for existing and new supportive housing sites and the Health through Housing initiative;
- Providing rental assistance through community-based organizations for residents;

- Supporting essential needs for individuals with time-limited rent assistance and services connected to housing stability and essential needs items, such as personal hygiene and transportation; and
- Continuing the coordinated crisis response to homelessness led by the King County Regional Homelessness Authority.

Anti-Racism and Pro Equity - confronting the harms of racism and dismantling systems of oppression. Centering investments and strategies throughout our government to become pro-equity, anti-racist, and accountable through investments in:

- Participatory budgeting for residents of unincorporated King County;
- Pro-Equity and Anti-Racist Community Co-Creation Team to support opportunities for community participation in transparent and accountable governance;
- Community-led responses to climate justice via the Climate Equity Task Force;
- Expanded translation and language equity services; and
- Internal capacity building for pro-equity, racial, and social justice work, training for County staff, and community engagement and co-creation.

Environment - increasing King County's resiliency, sustainability, and equity. Taking urgent action to preserve and protect our regional environment, restoring what has been lost before it is too late, and leading the way in preparing our people and places for climate impacts through investments in:

- Forest restoration and wildfire reduction strategies;
- Zero-emissions battery-electric buses and transit infrastructure;
- Fish habitat restoration and removal of barriers to fish passage;
- Removing nitrogen and "forever chemicals" from wastewater;
- Land conservation for open space, recreation, forest, and agricultural uses;
- Access to high-efficiency heat pumps and solar panels for low and moderate income residents;
- Rapid Ride R Line in the Rainer Valley; and
- A new Climate Office in the Executive Department to deliver on climate action.

I am also transmitting proposed amendments to the King County Code that establish and reorganize functions of the Executive Department, allowing for more efficient and effective coordination and execution of duties.

Budget Outlook

While all budgets reflect the circumstances in which they are developed, King County's 2023-2024 Proposed Budget is affected by a very unusual combination of circumstances, some highly favorable and others less so. Notably, the County operates about 140 different funds, each with its own revenue sources that have specified uses. Some funds are in strong financial condition while others face challenges.

The global COVID-19 pandemic continues, albeit in a more manageable form. The combination of the COVID-19 pandemic, the federal response, and the war in Ukraine have

put the global, national, and local economies into turmoil. Several of the County's funds, including the General Fund, continue to be adversely affected by structural revenue limitations imposed by the State of Washington.

Most economic measures for King County are very favorable. Employment growth in the second quarter of 2022 was six percent above the prior year and unemployment remains at historic lows. Many employers, including King County, are struggling to hire workers. Taxable retail sales were up 9.4 percent in June compared with 2021 data. Housing prices are increasing very rapidly, with countywide assessed property value expected to be \$849 billion in 2023, essentially double what it was seven years ago.

At the same time, inflation is at the highest levels seen in decades. After years in the 1.0 to 3.5 percent annual range, the Seattle Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for August 2021 versus August 2020 was up 5.2 percent and August 2022 versus August 2021 was up 9.0 percent. Inflation is projected to decrease gradually over the next two years. The latest County forecast puts the June-to-June CPI-W at 4.99 percent for 2023 and 2.85 percent for 2024.

Inflation is particularly detrimental for the County's budget because several critical funds, including the General Fund, are dependent on property tax revenues for the bulk of funding and State law limits the growth of these revenues to one percent per year. The 2023-2024 Proposed Budget for the General Fund uses about \$50 million of one-time money from fund balances built up due to federal revenue and salary savings. Consequently, this budget is not sustainable beyond 2024 as the General Fund is projected to have an estimated \$80 million deficit for 2025-2026.

The Budget Transmittal Package

In addition to the 2023-2024 Executive Proposed Biennial Budget ordinance for operating and capital budgets, this transmittal package incorporates the following separate legislative components and reports.

Additional Proposed Ordinances

Property Tax Ordinances - Included in this transmittal package are the proposed property tax ordinances necessary to collect the 2023 property tax revenue supporting the proposed budget. The 2024 property tax ordinances will be provided as part of the mid-biennium second omnibus proposed Ordinance in 2023. The Office of Performance, Strategy and Budget (PSB) staff will work with Council staff in the coming weeks to ensure final numbers are included in these ordinances once that information is received from the Assessor.

Non-Represented Employee 2023-2024 General Wage Increase (GWI) Ordinance – This proposed Ordinance would authorize a four percent general wage increase from the 2022 schedules, effective January 1, 2023, and authorize a four percent general wage increase from the 2023 schedules, effective January 1, 2024, for regular, short-term temporary and term-

limited temporary employees in non-represented county positions. The proposed Ordinance is submitted pursuant to the provisions of King County Code 3.12.130 and 3.12.140. The proposed Ordinance also approves the enclosed 2023 4.0 GWI King County Hourly Squared Schedules:

- 2023 4.0 GWI King County Hourly Squared Schedule
- 2023 4.0 GWI King County Annual FLSA Exempt Squared Schedule
- 2023 4.0 GWI King County Standardized Hourly Salary Schedule
- 2023 4.0 GWI King County Standardized Annual FLSA Exempt Salary Schedule
- 2024 4.0 GWI King County Hourly Squared Schedule,
- 2024 4.0 GWI King County Annual FLSA Exempt Squared Schedule
- 2024 4.0 GWI King County Standardized Hourly Salary Schedule
- 2024 4.0 GWI King County Standardized Annual FLSA Exempt Salary Schedule

Department of Local Services Community Needs List – This proposed Ordinance would adopt the community needs lists for the six rural community service areas and the five urban unincorporated potential annexation area geographies, as required by King County Code 2.16.055.C. The proposed community needs lists include the potential services, programs, facilities, capital improvements, and standard operations needing additional resources to respond to community-identified needs, including those that build on the communities' strengths and assets. They were developed in collaboration and consultation with members of the 11 communities.

Metro Transit Department Transit Farebox Recovery Letter - This proposed Ordinance would extend suspension of Metro's farebox recovery policy in 2023-2024 and also outlines Metro's approach to updating its fares strategy in the upcoming biennium. Ordinance 19206 suspended Metro's farebox recovery policy for the 2021-2022 biennium in response to the COVID pandemic's effect on ridership. The farebox recovery policy, as outlined in Ordinance 18321, requires that fare revenue cover at least 25 percent, with a goal of 30 percent, of the operating costs of the fixed route bus system. The intent of Metro's farebox recovery policy is to ensure that a set portion of the costs to operate service are covered by fare revenue collected from customers using the service. Metro intends to use the 2023-2024 biennium to work with community and agency partners to develop an updated fare strategy, which is expected to include:

- Expanding the income-based fares program to ensure Metro's discounts address affordability needs and advance equity.
- Developing a timeline, key milestones, and process for Metro's transition to cashless-on-board fare payment and recommended ways to make fare payment accessible to everyone.
- Recommendations for a more equitable fare verification system, co-created with customers and frontline employees.

Metro Transit Department LIFT Fare Pilot - This proposed Ordinance would extend the reduction of the ORCA LIFT low-income fare from \$1.50 to \$1.00 on buses, trolleys, transit vans, dial-a-ride vehicles, and streetcars provided by Metro, which was initially implemented

on September 1, 2022, under Metro's emergency authority, through January 1, 2024. Approval of this proposed legislation would make mobility more affordable for tens of thousands of ORCA LIFT riders and align Metro's fares for the most vulnerable riders with its most important transit partner, Sound Transit.

Limited Tax General Obligation (LTGO) Bonds Ordinance - This proposed Ordinance would approve the issuance of not-to-exceed \$625 million of limited tax general obligation (LTGO) bonds to provide funding for various proposed capital projects during the 2023-2024 biennium. Included among such projects are nearly \$235 million for Solid Waste Division capital projects, \$130 million for affordable housing projects, \$110 million for various land acquisitions, and \$35 million for projects that address climate change. The proposed Ordinance would also authorize the issuance of LTGO refunding bonds during the biennium to reduce debt service costs on outstanding bonds whenever the savings exceed certain targets identified in the County's Debt Management Policy as adopted by Motion 15984.

Fee Ordinances

Department of Natural Resources and Parks Surface Water Management Fee Increase Ordinance – This proposed Ordinance would authorize an 11.8 percent or \$34 fee increase for the Storm and Surface Water Management program, bringing the annual rate from \$289 to \$323 per residential parcel for 2023 and 2024. This increase will sustain the current level of service for the program considering inflationary and labor cost increases and will advance or accelerate high priority initiatives such as Clean Water Healthy Habitat, removal of fish barriers, and climate change response.

Department of Natural Resources and Parks Noxious Weed Fee Increase Ordinance – This proposed Ordinance would authorize a 16.5 percent or \$0.88 fee increase for the Noxious Weed Control program, bringing the annual rate from \$5.32 to \$6.20 per parcel for 2023 and 2024. The fee increase will support anticipated increases in labor and operating costs and a contractual increase associated with the Healthy Lands Project, which employs seasonal crews focused on historically underserved populations. By maintaining current service levels, the program will be able to respond to high priority noxious weed outbreaks and support the Clean Water Healthy Habitat Strategic Plan.

Department of Local Services Permitting Division Fee Increase Ordinance – This proposed Ordinance would approve a 13.7 percent Permitting Division fee increase for 2023-2024. This increase funds additional staff positions in response to the current demand for permits, which has rebounded to its pre-pandemic level. Also proposed is a temporary 2.5 percent fee surcharge, effective for two years, to rebuild the Permitting Fund's fund balance, which was depleted during the pandemic.

King County Code Changes

King County Code Section 2.10 Performance, Management and Accountability Changes – This proposed Ordinance would remove an outdated joint legislative and

executive branch performance management framework. The elimination of the provisions does not reflect any reduction in effort on performance, but rather enables PSB and the executive branch to focus on higher priority performance management activities through streamlining tasks.

King County Code Section 2.16 Administrative Offices and Executive Departments

Changes – This proposed Ordinance would make a number of changes to the organization of the Executive Department. It creates the Office of Climate and the Office of Economic Opportunity and Creative Economy, and formally establishes in King County Code the Office of Equity, Racial and Social Justice within the Executive Department. In addition, it renames and establishes the administrative functions of the of the Civil Rights Program (formerly the Office of Civil Rights) within the Department of Human Resources from the Department of Executive Services. Finally, this proposed Ordinance updates the descriptions of functions and duties within the Office of Performance, Strategy and Budget to reflect current practices.

King County Code Section 4A Revenue and Financial Regulation Changes - This proposed Ordinance would temporarily increase the appropriation limit on the emergent need contingency project in each of the capital funds from five percent of total fund appropriation or twenty million dollars, whichever is less, to twenty percent of total fund appropriation or fifty million dollars, whichever is less. The proposed Ordinance would also increase the threshold at which projects must submit capital project exception notification for emergent need contingency transfers from fifteen percent to twenty-five percent of total project costs. These changes would expire at the end of the 2023-2024 biennium. They are proposed to provide capital programs the flexibility to respond to record-high inflation that is particularly acute in the construction sector.

Department of Adult and Juvenile Detention Electronic Monitoring Fee Repeal - King County's Department of Adult and Juvenile Detention, through its Community Corrections Division, manages an electronic monitoring program as an alternative to secure detention. Program participants are required to pay fees for monitoring and equipment rental. Fees can impact a person's ability to participate in the program. Early in the pandemic, the fee requirements were removed to make the program accessible for everyone regardless of ability to pay. This proposed Ordinance would remove fee requirements for the program permanently.

Department of Community and Human Services Children, Youth and Young Adults

Division Name Change – This proposed Ordinance would rename the Department of Community and Human Services' Children and Youth Services Division as the Children, Youth and Young Adults Division to better reflect the wide range of programs and services managed by the division, including services for young adults.

Fund Change Ordinances

Local Hazardous Waste Management Fund – This proposed Ordinance would move the fiscal management of the Local Hazardous Waste Management Fund from the Department of Public Health to the Department of Natural Resources and Parks. The proposed change in fiscal management of the fund aligns with an organizational change included in the 2023-2024 proposed budget. The fund will continue to function as a pass-through fund, with no proposed changes in governance and responsibility of the County Council or the Board of Health.

DNRP Water and Land Resources Fund Closure Ordinance - This proposed Ordinance would close three funds in the Water and Land Resources Division of the Department of Natural Resources and Parks. The Inter-County River Improvement fund 1820 was created in 1913 to manage flood control along the White River as part of ninety-nine year agreement, which has expired. No funds are being collected and the residual remaining funds will be transferred to Fund 1561. The Urban Reforestation and Habitat Restoration Fund 3403 is proposed to close and residual fund amounts will be transferred to fund 3292. The Environmental Resource Fund 3672 is proposed to close and residual amounts remaining will be transferred to fund 3522.

Other Materials

King County Sheriff's Office Body-Worn and In-Vehicle Camera Pilot Program Report and Motion – This report and a proposed Motion acknowledging receipt of the report are provided in response to Ordinance 19210, Section 20, Proviso P2, requesting a report describing the King County Sheriff's Office body-worn camera and in-car camera systems pilot.

Current List of Projects in Project Review Board (PRB) Oversight Report – KCC 2A.380.200 requires the Chief Information Officer to provide a list of all information technology capital projects with active appropriation authority with the Executive Proposed Biennial Budget. This includes projects not seeking funding in the proposed budget and the unexpended appropriation for each project.

2022 Acceptance of Electronic Payments Report (2022 eCommerce Report) - Included with this transmittal is the Finance and Business Operations Division (FBOD) 2022 Acceptance of Electronic Payments Report as called for by Executive Policy FIN-8-5-2-EP, Accepting Electronic Payments, Section IV.F.1, effective July 1, 2021. The enclosed report lists those agencies countywide that accept electronic payments (credit cards, debit cards, and electronic checks).

4Culture Budget Submittal – The 4Culture Budget for the 2023-2024 Biennium is submitted to Council for approval in accordance with Ordinance 18694.

The Honorable Claudia Balducci

September 27, 2022

Page 8

The Executive Proposed 2023-2024 Biennial Budget Ordinance and related legislation and materials transmitted with this letter support the King County Strategic Plan objective to exercise sound financial management and build King County's long-term fiscal strength.

I certify that funds are available. If you have any questions, please contact Dwight Dively, Director, Office of Performance, Strategy and Budget at 206-263-9727.

Sincerely,



Dow Constantine
King County Executive

Enclosures

cc: King County Councilmembers

ATTN: Stephanie Cirkovich, Chief of Staff

Melani Pedroza, Clerk of the Council

Shannon Braddock, Chief of Staff, Office of the Executive

Karan Gill, Deputy Chief of Staff, Office of the Executive

Mina Hashemi, Council Relations Director, Office of the Executive

Dwight Dively, Director, Office of Performance, Strategy and Budget

Elected Officials

Department Directors