



**King County**

**Metropolitan King County Council  
Operating Budget, Fiscal Management and  
Select Issues Committee/Capital Budget Committee**

<b>Agenda item No:</b>	<b>3</b>	<b>Date:</b>	<b>July 30, 2008</b>
<b>Proposed No:</b>	<b>2008-0408</b>	<b>Prepared by:</b>	<b>William D. Nogle</b>

**Staff Report**

**SUBJECT**

PROPOSED MOTION 2008-0408 that would adopt the priorities of King County for the 2009 budget.

**SUMMARY**

Proposed Motion 2008-0408 will set priorities for the 2009 King County budget. The purpose of setting these priorities is to provide policy direction to the County Executive as he prepares his 2009 budget proposal.

**BACKGROUND AND ANALYSIS**

The County Council under Section 220 of the King County Charter is the policy determining body of the County. It is the Executive who carries out those policies. Perhaps the most important means by which policies are set is through the annual County budget. The two branches, Executive and Legislative, work together through the annual budget to carry out the duties and responsibilities of the County and provide both mandatory and discretionary services to the citizens.

Under the Charter, the Executive prepares and presents to the Council capital and operating budgets and a budget message setting forth the programs which he proposes for the County during the next fiscal year. By providing priorities to the Executive to inform his budget proposal, the Council can communicate to the Executive areas of County operations that they would like to have addressed. The Council in adopting the budget can include appropriations that would address these priorities but an early communication to the Executive fosters cooperation between the branches and can be a more efficient way of furthering the goals of both.

Beginning with the 2007 budget, the Council has adopted motions that specifically set out the priorities the Council would like to have reflected in the budget. For 2009, much attention has been focused on a looming shortfall between limited revenues and the spending that would be needed just to maintain current service levels. At various times the Executive has stated that this shortfall would be \$45 million and up, with the latest projection being in excess of \$70 million. With inflation rates growing each month, the

actual shortfall will continue to grow as the date for budget consideration and adoption draws near.

Over the last several years, the Council and Executive have taken many steps to reduce spending while maintaining service levels. These have included operational master plans for the criminal justice system, consolidation and reorganization of agencies and departments, technology advances and capital programs to reduce leasing costs. Other efforts have included creation of the cultural development authority and targeted levies for parks and for veterans and human services.

The Executive, in his instructions to agencies for their requested budgets for 2009, has asked for budget reductions of 8.65% to criminal justice agencies and other mandated services, while requesting higher reductions for discretionary services.

The separately elected Sheriff, Prosecutor and judges have responded by stating that these funding reductions would create a "public safety system in peril." The Board of Health has also highlighted the negative effects of a \$10 million cut for public health.

Over the years, a structural gap has developed in funding the services that counties provide. Major county revenues such as the property tax and sales tax do not grow at a fast enough rate to continue to fund core services at current levels. As the revenues fall short each year, service levels need to be reduced in order to keep spending within the amount of resources available. The property tax levy for the current expense fund has been limited to 1% annual growth plus new construction since 2002, first by Initiative 747 and then by an act of the Legislature after I-747 was found to be unconstitutional. Sales tax, the second largest revenue source, has a rate limited by State law and collections are reliant upon the health of the local economy. In lean economic times or in recessions, sales tax collections shrink as consumers cut back on discretionary spending.

With the rapid rise in gasoline and other energy prices and with inflation beginning to increase, cost pressures on counties are increasing substantially, exacerbating the structural gap problem.

To address the structural gap in both the short and long-term, this motion provides specific policy direction to the Executive. As priorities, this motion notes that the Council is committed to using available resources to protect public safety and health, to enhance quality of life, and maintain services where the County is the local government service provider. The Council's intent is to adopt a 2009 budget that:

- ❖ Preserves and protects most essential services, specifically those that promote and protect public health, safety and quality of life;
- ❖ Promotes fiscal prudence while maximizing public benefit;

- ❖ Encourages more entrepreneurial efforts and partnerships;
- ❖ Utilizes a prudent portion of existing reserves; and,
- ❖ Supports strategies other than across the board budget reductions by focusing on policy and programmatic changes.

Specific policy directives to the Executive in the motion include:

- ❖ Balancing the number of inmates held in the jail between the needs of the State and the cities of King County;
- ❖ Providing an analysis to the Council of State unfunded mandates so that the Council can determine ways to increase funding or those that can be reduced in scope or eliminated;
- ❖ Ensuring that the 2009 budget addresses the currently being developed operational master plan for animal welfare services;
- ❖ Provides level of services options for County agencies receiving in-house support services via internal service funds;
- ❖ Refocuses the annexation initiative in a way that can achieve better results or redirect annexation reserves to immediate needs;
- ❖ Reviews real estate holdings to determine if unneeded real estate can be sold to help fund current operating needs;
- ❖ Implements the capital portion of the new County budget system in order to provide timely data to the Council and others for the 2011 budget;
- ❖ Prioritizes general government capital projects; and
- ❖ Reviews all fees to determine if fee increases where legally permitted can help address the budget shortfall.

Finally, the motion states the Council's support for efforts to convince the Governor and the Legislature to address the structural gap that exists for King County and all other counties in the State.

### **REASONABLNESS**

Proposed Motion 2008-0408 represents a deliberative effort by the County Council to identify core services that the 2009 budget will attempt to preserve to the extent possible given revenue limitations. The motion identifies specific areas of the County's finances that should be examined as ways to address the immediate shortfall in funding as well as support for efforts to address the long-term effects of the structural gap that is affecting all county budgets in the State. As such, adoption of this motion would be a reasonable and prudent fiscal and policy decision.

### **INVITED**

Bob Cowan, Director, Office of Management and Budget

### **ATTACHMENTS**

1. Proposed Motion 2008-0408



KING COUNTY

1200 King County Courthouse  
516 Third Avenue  
Seattle, WA 98104

Signature Report

July 29, 2008

Motion

Proposed No. 2008-0408.1

Sponsors Phillips, Ferguson and Lambert

1 A MOTION setting the council's 2009 budget priorities and  
 2 providing direction to the executive on specific areas of  
 3 council interest; and declaring the council's budget theme  
 4 as Public Safety, Health and Welfare: Protecting Public  
 5 Priorities.

6  
 7 WHEREAS, under the King County charter, the county council is the policy  
 8 determining body and adopts budgets for King County government, and

9 WHEREAS, the executive under the charter carries out policy as set by the  
 10 council and presents budgets and a budget message setting forth the programs which he  
 11 proposes for the county during the next fiscal year, and

12 WHEREAS, the council over the years has provided policy direction to the  
 13 executive to be reflected in the proposed budget, including initiatives such as the juvenile  
 14 and adult justice operational master plans, realignment of the district court system,  
 15 expansion of drug and mental health courts, development of framework policies for  
 16 human services, establishment of the nearshore habitat conservation initiative and  
 17 creation of the cultural development authority, the property expert review task force, the

**Motion**

---

18 citizens election oversight committee, the office of information resource management, the  
19 county's annexation and children's health initiatives and the public health operational  
20 master plan, and

21 WHEREAS, the council has been a leader in promoting performance management  
22 in King County and adopted Motion 11561 in 2002 encouraging the executive to broaden  
23 the use of performance measurement throughout county government as a way of  
24 enhancing management of scarce resources and demonstrating accountability, and

25 WHEREAS, through adoption of Ordinance 16202, in July 2008, the council  
26 created a countywide performance and accountability system which will increase  
27 transparency and accountability through better reporting of county performance, and

28 WHEREAS, over the last several budget years, the council has increased its role  
29 in the oversight and accountability of capital project management by including  
30 requirements for increased transparency in capital project reporting and through the  
31 creation of the office of capital project oversight, and

32 WHEREAS, the council has consistently sought citizen input in the development  
33 of its budget priorities through such efforts as public meetings, citizen boards and  
34 commissions and the citizen engagement initiative, which collected the views of  
35 hundreds of county residents on how the county should prioritize spending, and

36 WHEREAS, in both 2006 and 2007 the council has adopted budget priority  
37 motions which have been forwarded to the county executive for use in formulating his  
38 budget proposal, and

**Motion**

---

39 WHEREAS, in delivering his 2008 budget address, the executive informed the  
40 council that the county would be facing significant deficits, beginning with a \$45 million  
41 deficit in 2009 and growing in future years, and

42 WHEREAS, early in 2008, the executive announced that the projected deficit had  
43 grown to over \$60 million, and

44 WHEREAS, the budget instructions for agencies to use in preparing their 2009  
45 budgets included 8.65 percent cuts for general fund mandated services and 33 percent  
46 cuts for general fund discretionary services, and

47 WHEREAS, at a June 5, 2008, news conference the separately elected leaders of  
48 the county's criminal justice agencies announced that the executive's \$60 million in  
49 proposed cuts would mean drastic reductions in public safety services and defined this  
50 situation as a public safety system in peril, and,

51 WHEREAS, by the June 23, 2008, labor summit, the executive announced that  
52 the deficit had grown to over \$70 million, and

53 WHEREAS, at a July 17, 2008, press conference, leaders of the King County  
54 board of health sounded the alarm on how the executive's anticipated \$10 million cut to  
55 public health services would jeopardize a variety of public health programs including  
56 disease control and direct care at public health clinics, and

57 WHEREAS, the growth in county revenues has been restricted by state-wide  
58 voter-approved measures, including Initiative 747 and the subsequent enactment of it by  
59 the state legislature; and

60 WHEREAS, this restriction, which limits the growth in the county property tax  
61 levy to 1 percent annually plus new construction - a rate of growth that is insufficient to

**Motion**

---

62 meet the increasing costs of providing services due to inflation and population growth -  
63 has resulted in a structural gap whereby the structure of the tax system generates a  
64 persistent shortfall in the revenues needed to maintain public services; and

65 WHEREAS, recent cost trends for energy and the increasing likelihood of higher  
66 rates of inflation have exacerbated the structural gap problem, and

67 WHEREAS, other major sources of county revenues, are limited by the health of  
68 the economy, such as sales and real estate excise taxes, and

69 WHEREAS, this is not the first time that the public finance system in this state  
70 has adversely affected public safety services; the council, in prior efforts to balance the  
71 budget, cut in excess of \$100 million from the general fund and has made decisions  
72 including transferring swimming pools and local parks to other jurisdictions and shifting  
73 the burden for regional parks and recreation services to special levies in an effort to avoid  
74 further reductions to public safety services, and

75 WHEREAS, King County has implemented special revenue programs like the  
76 mental illness and drug dependency sales tax and the veterans and human services levy to  
77 address human services needs, and

78 WHEREAS, while these new revenues have addressed specific funding needs,  
79 they have not addressed the structural nature of public funding for basic services in  
80 Washington counties;

81 NOW, THEREFORE, BE IT MOVED by the council of King County:

82 A. The council is committed to using the resources available to county  
83 government to support a vibrant, growing King County that honors and respects the core

**Motion**

---

84 values of its citizens, including protecting public safety, health, enhancing quality of life,  
85 earning public trust and maintaining local government services.

86 B. The council recognizes that there are many challenges facing the county that  
87 will make decision-making in the 2009 budget difficult. There continues to be a  
88 widening structural gap between the cost of continuing current services and revenues  
89 available to support these services. The funding gap continues to be exacerbated by a  
90 decline in state and federal resources that the county receives. At the same time, county  
91 service needs continue to increase. Given these challenges, the council intends that the  
92 adopted 2009 budget will be one that:

93 1. Preserves and protects the most essential services provided to the citizens of  
94 King County, specifically those programs that promote and protect public safety, health  
95 and quality of life for the citizens of King County, whether it be by effective law  
96 enforcement, incarceration of dangerous felons, effective prosecutions, disease control  
97 and immunizations or enforcement of health and safety provisions of the county code.

98 The council is committed to assuring that before reducing funding for basic public safety,  
99 health and quality of life services, all other available options will be considered.

100 Specifically, the council will seek to minimize reductions to essential services to the  
101 extent feasible, focusing first on reducing or eliminating nonessential programs;

102 2. Promotes fiscal prudence and maximizes public benefit, by incorporating  
103 principles of budget sustainability and policies that support prudent county spending;

104 3. Encourages county government to become more entrepreneurial and seek  
105 partnerships with both public and private sector partners that allow the county to leverage  
106 additional resources for funding essential services;



**Motion**

---

107           4. Utilizes a prudent portion of existing reserves to preserve essential services in  
108 the short run; and

109           5. Supports the development of strategies that look beyond departmental  
110 reductions as the primary budget balancing mechanism and focuses on policy and  
111 programmatic changes that would make a difference in the county's overall costs of doing  
112 business. Such an approach will help the county during the uncertain economic times we  
113 currently face and will support budget sustainability in the long term.

114           C. In developing the county budget for 2009, the executive should incorporate  
115 the following policy directives:

116           1. Jail Beds - State Holds. Balance the number of inmates held for the State  
117 with the needs of cities with the ultimate goal of partnerships and the best use of tax  
118 payer dollars;

119           2. Unfunded State Mandates. The state of Washington continues to shift its  
120 burden to county government through the use of unfunded mandates. Concurrent with the  
121 budget proposal, the executive should provide to the council a list of all the current  
122 unfunded mandates and a cost estimate for providing the mandated services. The council  
123 will, as part of its budget review, evaluate strategies for reimbursement, reduction or  
124 elimination of unfunded mandates;

125           3. Animal Welfare. Ensure that the proposed 2009 budget conforms to the  
126 operational master plan for the provision of sustainable and timely humane animal  
127 welfare services by King County and partner agencies;

128           4. Internal Services. Develop and implement service level agreements with all  
129 agencies that reflect each agency's priorities. The council intends that all internal service

**Motion**

---

130 charges be the result of negotiated service level agreements between internal service  
131 agencies and the county agency receiving that service;

132 5. Annexations. The annexation initiative has now been in operation for four  
133 years, expending over \$2 million in operations and staffing costs. Despite this effort,  
134 only two of the largest urban unincorporated areas have successfully annexed, resulting  
135 in only minimal savings. Given its limited success, refocus the annexation initiative,  
136 targeting the remaining funds in the annexation reserves to those potential annexation  
137 areas that are actively being studied by jurisdictions for annexation. Any additional funds  
138 should be redirected to public safety and health services in the urban unincorporated  
139 areas;

140 6. Property Holdings. Evaluate all real property owned by the general fund for  
141 the feasibility of surplus and sale to address current budget issues. This evaluation  
142 should be transmitted with the proposed budget;

143 7. Business Relations and Economic Development ("BRED"). Review and  
144 report on the nonrevenue backed aspects of BRED;

145 8. Implement the Countywide Budget System. Implement the countywide  
146 budget system in April 2010 for use in preparing the 2011 capital budget in order to  
147 provide improved budget decision making tools;

148 9. Prioritize Capital Projects. Concurrent with the budget, the executive should  
149 transmit to the council a report prioritizing all county capital improvement projects. The  
150 report shall describe the project and provide a status update and an analysis of the  
151 necessity of continuing the capital project as it relates to the provision of core county  
152 services; and

153           10. Fees. The executive should transmit, concurrent with the budget, a report  
154 outlining county fees. The report should contain a description and purpose of the fee, the  
155 current fee level and the statutory maximum for the fee. The executive also should  
156 highlight any fees where the statutory maximum is currently less than the cost of  
157 providing the service.

158           D. The council supports a legislative agenda that urges the governor and state  
159 legislature to permanently address the structural funding gap facing all counties in  
160 Washington state by authorizing expanded types of revenues for local jurisdictions that

**Motion**

---

161 provide for sufficient growth to meet rising annual costs and have the flexibility of  
162 helping to fund basic public services.  
163

KING COUNTY COUNCIL  
KING COUNTY, WASHINGTON

---

ATTEST:

---

**Attachments**      None