

# EXECUTIVE MESSAGE



October 17, 2002

TO: Pierce County Council  
FROM: John Ladenburg, County Executive  
SUBJECT: 2003 Pierce County Budget

Submitted herein is the proposed Pierce County Budget for fiscal 2003. This budget reflects the fiscal realities confronting county government, the impact of a sluggish economy, and the need to make priority decisions in order to protect and augment our most vital services. Even with our fiscal limitations, my administration remains committed to effectively addressing the challenges and opportunities before us. These include public safety staffing, the opening of the New Jail, justice services workload, growth management, effective land use regulations enforcement, the endangered species act, our transportation network, flooding concerns, and intergovernmental cooperation. It is our responsibility to exhibit leadership in addressing these issues, and to provide cost-effective public services to our citizens.

### **Budget Summary Highlights**

The proposed 2003 Pierce County Budget totals \$737,147,567, which is a decrease of \$51.5 million (6.5%) from 2002. Most of the decrease is due to reduced construction expenses (e.g. the New Jail project will be completed in 2002, except for the Main Jail Remodel) and the impact of I-747 (1% property tax limit).

This is the second budget year which has been impacted by the crippling effects of I-747. This has caused great difficulty for our government, and for most governmental entities in the State of Washington. This initiative, the weak state of the economy, and the cutbacks in State funding resulting from their current biennium budget problems have all combined to create a severe budget crunch. The resultant revenue limitations have made it impossible for us to meet all the budget requests from our department directors, or to satisfy all service requests from our citizens.

***Our primary budgetary goal still remains achieving an appropriate balance between the need to adequately fund public safety and justice system programs, while at the same time avoiding severe impacts to all the other services provided by the County.***

In terms of overall approach to the budget, the following assumptions, considerations, and priorities guided our deliberations and recommendations:

First, existing challenges involving **criminal activity, domestic violence, meth labs and other drug activity will continue to place great pressure on public safety and justice services.** We have maintained the programs previously budgeted to combat these major problems, and are enhancing priority services where circumstances warrant and finances permit.

Second, the **New Jail** is substantially completed and is scheduled to be placed in operation late this fall. Although there are large expenses associated with this enterprise, our multi-year financing plan has allowed us to meet those costs without significant reductions in other General Fund programs.

Third, for most of our General Fund programs, this must be considered a “**status quo**” budget. In these times of financial stress, we consider our ability to substantially maintain the status quo to be a major accomplishment.

Fourth, we will continue to emphasize **pro-active prevention programs**. This budget funds many of the alternatives to incarceration programs recommended by the Criminal Justice Task Force, including county funding for the Breaking the Cycle Program. These programs will both reduce future jail costs and promote behavior modifications leading to decreased criminal activity.

Fifth, we will continue to fund balanced **Land Use Regulatory** programs, solid **Road Maintenance** services; and a **substantial Parks and Recreation program** utilizing recently approved parks sales tax and real estate excise tax funding sources.

## Performance Measures

For the 2003 budget we are replacing the previous “mission driven budget objectives” program with department Performance Measures. These Measures are more limited in number and focus on the most vital aspects of each departments operation.

## I. GENERAL FUND

As the name implies, this is the fund that receives undesignated revenues which can be budgeted for any

appropriate County purpose. This fund finances the majority of the traditional services associated with County government. Most of the budget deliberations center around this fund since it provides the most flexibility in terms of resource allocation alternatives.

## A. General Fund Revenues

A more detailed listing of General Fund Revenues is presented in the General Overview section of this budget document. A summary of the 2003 revenues, with a comparison to the current year, is shown in the following table.

Our revenue projections are based largely upon the following assumptions:

- The local economy will grow at a relatively slow pace in 2003. The level of economic growth will be sharply less than that experienced in the 1995-2001 fiscal years.
- Inflation will be approximately 2-3% next year, thus giving a modest boost to Sales Taxes, Intergovernmental Revenues, and Charges for Services.
- Interest rates will stay at their current very low levels, which will result in less interest revenues than were earned in recent periods.
- We will continue to receive city contract revenues for several major services (principally police services, jail, roads maintenance, and court services).

Based upon the above assumptions and an in-depth review of our revenue patterns, we are projecting a growth in General Fund revenues of 2.4% in 2003. However, the 2002 budget also included an allocation of \$6,285,000 in Prior Fund Balance. Since the recommended use of Prior Fund Balance in 2003 is only \$2,417,000, the resulting increase in **available resources** to finance next year's budget is only .6%.

### GENERAL FUND REVENUE SUMMARY

	2003 Budget	2002 Budget	Absolute Change	Percent Change
General Property Taxes	\$ 74,190,190	\$ 71,270,800	\$ 2,919,390	4.1 %
Law Enforcement Property Taxes	8,490,470	8,108,270	382,200	4.7
Other Taxes	8,899,540	8,699,000	200,540	2.3
Sales Taxes	41,290,000	39,240,000	2,050,000	5.2
Licenses and Permits	5,435,030	5,382,110	52,920	1.0
Intergovernmental Revenue	36,852,430	39,494,780	(2,642,350)	(6.7)
Charges for Services	29,230,430	26,752,258	2,478,172	9.3
Fines and Forfeitures	4,954,680	4,488,270	466,410	10.4
Interest Revenue	7,543,430	9,474,700	(1,931,270)	(20.4)
Other Miscellaneous Revenue	3,362,470	2,201,948	1,160,522	52.7
<b>Subtotal Revenues</b>	<b>\$ 220,248,670</b>	<b>\$ 215,112,136</b>	<b>\$ 5,136,534</b>	<b>2.4 %</b>
2 Fund Balance	2,417,000	6,285,000	(3,868,000)	(61.5)
<b>Total Available Resources</b>	<b>\$ 222,665,670</b>	<b>\$ 221,397,136</b>	<b>\$ 1,268,534</b>	<b>0.6 %</b>

Following is a detailed discussion regarding the changes in each major category of revenue:

**General and Law Enforcement Property Taxes** are projected to increase by 4.1% and 4.7% respectively in 2003. This increase is based upon two factors. The first is the 1% available under I-747. The second, and most important factor, is the tax growth related to new construction and improvements.

**Other Taxes** are simply increasing with inflation.

**Sales Taxes** are projected to increase by 5.2% in 2003. This is based upon the actual revenue patterns for 2002 Y-T-D, coupled with projections for moderate growth in the next 12-16 months.

**Licenses and Permits** are projected to grow by a modest 1.0% in 2003, reflecting proposed fee increases in P.A.L.S.

**Intergovernmental Revenues** – this category of revenue is projected to show a bottom-line decrease of 6.7% in 2003. This is because a) Federal and State Grants will be below the 2002 level, and b) we will no longer receive “MVET back-fill” monies from the State. It should be noted that the loss of grant funding will often (but not always) result in a corresponding reduction in expenditures.

**Charges for Service Revenues** are estimated to be above the 2003 budget by 9.3%. This bottom-line change is composed of many dramatic changes in specific revenue sources, both increases and decreases:

- 1) Recording Fees are currently running well above 2002 budgeted levels, and we are projecting that increased level of activity to continue in the new year.
- 2) Election expense reimbursements will be significantly above 2002 because the state is required to reimburse us for their election costs in odd numbered years.
- 3) Indirect Cost Charges to other funds will increase by 19%, due to the figures generated by the plan methodology. This reflects the growth in our non-General Fund activities.
- 4) An increase in P.A.L.S. fees is included in the proposed budget.

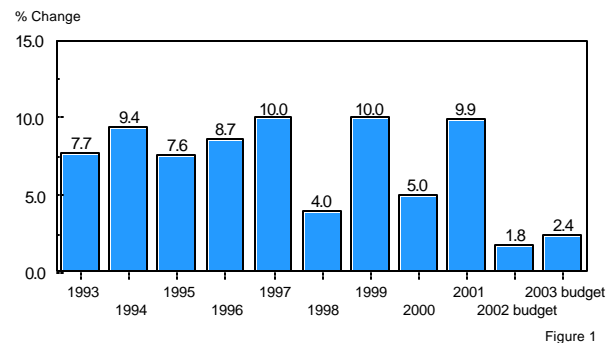
**Fines and Forfeits** are projected to be above the 2002 Budget by 10.4%, based mostly upon the actual revenue pattern in the current year.

**Interest Revenues** are projected to show a major decline from the 2002 budgeted amounts, due to the decreases in interest rates over the last 12 to 18 months.

**Miscellaneous Revenues** will increase by 53% in 2003, due largely to the transfer of \$900,000 from the Road Fund to partially finance Sheriff traffic enforcement costs.

**Prior Fund Balance** use was budgeted at \$6,285,000 in 2002, of which \$3.6 million was for the computerized appraisal and tax administration system (one-time allocation). For next year we are recommending that we allocate only \$2,417,000, which will be used for Building Remodeling expenses (\$2,000,000) and other one-time expenses in the 2003 budget (\$417,000).

### Percent Change in General Fund Revenues



Comparative revenue increase figures for the last decade are shown in Figure 1. The projected increase of 2.4% in 2003 is the second lowest in the decade, due to four factors:

- a) Initiative 747 continues to erode our real financial base. The negative impact grows geometrically each year (see next page).
- b) In several of the preceding years there was a major new revenue source (e.g., state criminal justice funds, criminal justice sales tax, jail/juvenile sales tax, and the law levy transfer to the General Fund). No major new revenue source is projected to be forthcoming in 2003.
- c) During most years there are mid-year events which give rise to revenue increases, but which almost always are accompanied by at least a corresponding increase in related expenses (e.g., new specific grants, storm reimbursements, special elections). This could well happen again as fiscal 2003 unfolds; thus pushing the final percent increase above the originally budgeted 2.4%.
- d) The economy is much less robust than in earlier years, and the climb out of the state recession is projected to be gradual.

As you can gather from our earlier comments, I-747 casts a major shadow over our finances. This initiative limits the growth in taxes from existing property to only 1% per year (in place of the

previously available 6%). Such a limitation, which is well below the level of inflation, imposes severe fiscal constraints on the County. The inevitable result is that service cutbacks and staff reductions are necessary in this budget, and will grow in future years. The exact revenue loss over the next several years due to I-747 is difficult to precisely determine (depends upon inflationary increases in existing property values). To provide just one possible example, with a 4% annual growth in assessed valuation (excluding new construction) the potential revenue loss versus the 6% limit would be as follows:

General Fund	
2002	\$ 3,848,000
2003	8,033,000
2004	12,676,000
2005	17,801,000
2006	22,314,000
<b>Total</b>	<b>\$ 64,672,000</b>

These are very significant revenue losses, and are geometric in impact. By fiscal 2006, the revenue loss in just that year is equal to approximately 10% of our 2003 General Fund budget. The cumulative 5 year loss is more than the construction costs of the New Jail and New Parking Garage combined. The Road fund levy is also affected by I-747, although to a lesser extent (2003 loss estimated at \$1.7 million).

This initiative will result in an inexorable erosion in our financial foundation and lead to significant reductions in public safety, the justice system, road maintenance, health services, and other vital county programs.

## B. General Fund Expenditures

The 2.4% revenue growth discussed in the preceding section would, especially in light of the opening of the New Jail, be insufficient to continue most programs and staff at the 2002 level. However, we have kept our expenses in check through modest salary increases, cost efficient technology investments, and district court consolidation. Despite those measures, we have had to reduce budgets in certain areas in order to provide resources to enhance vital programs and services.

The tables at the bottom of this page and on the next page summarize the 2003 General Fund Expenditure Budget, and compare it with the 2002 budget. The first table presents the General Fund according to **functional** category, while the second table simply lists each **departmental** budget.

As indicated by the functions table, the emphasis in 2003 continues to be Public Safety and Legal/Judicial services. If we exclude the 2002 C.A.T.S. allocation from our calculations, the General Fund expenditures increase is \$4.9 million. Approximately \$4.7 million of that increase is allocated to these two major functions.

**That equals 96% of next year's budget increase.** In total, 75% of the entire General Fund budget is now allocated to these priority services. This percentage continues to grow by approximately 1% of the total each year, and is higher than other large Washington counties. This emphasis on public safety and justice services continues the pattern established over the last decade. Approximately 90% of all the staff added in the General Fund in the last decade have been in the Public Safety and Justice Services departments.

### GENERAL FUND EXPENDITURES BY FUNCTION

	2003 Budget	2002 Budget	Absolute Change	Percent Change
General Government	\$ 30,359,310	\$ 30,069,600	\$ 289,710	1.0 %
Public Safety	111,722,470	108,025,521	3,696,949	3.4
Physical Environment	1,716,460	1,629,050	87,410	5.4
Legal & Judicial	55,187,940	54,154,521	1,033,419	1.9
Economic Environment	13,170,310	13,195,784	(25,474)	(0.2)
Mental/Physical Health	3,535,100	3,569,990	(34,890)	(1.0)
Cultural & Recreation	6,974,080	7,114,670	(140,590)	(2.0)
Computerized Appraisal Tax System	—	3,638,000	(3,638,000)	(100.0)
<b>Total General Fund</b>	<b>\$ 222,665,670</b>	<b>\$ 221,397,136</b>	<b>\$ 1,268,534</b>	<b>0.6 %</b>

## GENERAL FUND EXPENDITURES BY DEPARTMENT

	2003 Budget	2002 Budget	Absolute Change	Percent Change
Assessor/Treasurer	\$ 10,126,020	\$ 9,908,690	\$ 217,330	2.2 %
Assigned Counsel	9,684,780	9,759,770	(74,990)	(0.8)
Auditor	5,682,570	6,224,150	(541,580)	(8.7)
Bond Debt Service	2,070,640	1,936,260	134,380	6.9
Budget & Finance	4,278,750	4,174,300	104,450	2.5
Building Remodel Projects	2,000,000	1,500,000	500,000	33.3
Clerk	3,630,220	3,698,020	(67,800)	(1.8)
Communications	553,090	547,920	5,170	0.9
Cooperative Extension	578,610	566,780	11,830	2.1
Corrections	36,094,000	31,349,990	4,744,010	15.1
County Council	3,143,920	3,087,480	56,440	1.8
County Executive	948,000	928,630	19,370	2.1
District Court	6,527,040	5,558,400	968,640	17.4
District Court # 2 Gig Harbor	—	645,030	(645,030)	(100.0)
District Court # 3 Eatonville	—	265,530	(265,530)	(100.0)
District Court # 4 Buckley	—	125,830	(125,830)	(100.0)
District Court Probation	2,462,720	2,404,820	57,900	2.4
Economic Development	673,600	664,930	8,670	1.3
Emergency Management	2,499,540	2,396,840	102,700	4.3
Health Services	3,080,340	3,080,340	—	—
Juvenile	15,515,180	15,520,152	(4,972)	—
Medical Examiner	1,707,960	1,718,220	(10,260)	(0.6)
Miscellaneous Current Expense	4,217,810	4,387,320	(169,510)	(3.9)
New Jail Construction Reserve	2,000,000	5,563,000	(3,563,000)	(64.0)
Parks and Recreation Services	6,130,800	6,035,350	95,450	1.6
Personnel	2,475,420	2,361,160	114,260	4.8
Planning and Land Services	12,101,970	11,904,594	197,376	1.7
Prevention Services & Programs	1,200,000	1,125,000	75,000	6.7
Prosecuting Attorney	19,840,380	19,497,490	342,890	1.8
Sheriff	50,854,260	48,577,330	2,276,930	4.7
Special Projects	1,782,630	5,265,250	(3,482,620)	(66.1)
State Auditor	160,600	182,110	(21,510)	(11.8)
Superior Court	10,644,820	10,436,450	208,370	2.0
<b>Total General Fund</b>	<b>\$ 222,665,670</b>	<b>\$ 221,397,136</b>	<b>\$ 1,268,534</b>	<b>0.6 %</b>

As shown below in Figure 2, the 2.4% budget increase for expenditures is considerably less than all previous years in the last decade. It should be noted that the 2002 budget figure would have been much lower had we not used a large amount of fund balance to support that budget.

### Percent Change in General Fund Expenditures

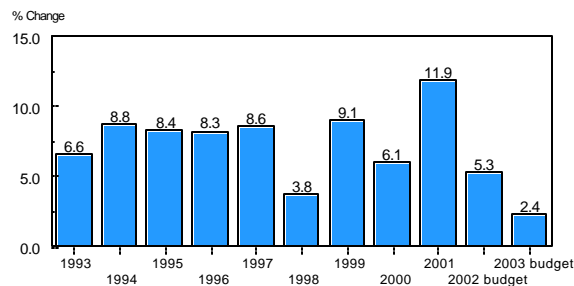


Figure 2

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## 2003 SERVICE & PROGRAM CHANGES

The **major** 2003 budget and program changes by functional category and department are listed as follows:

### **PUBLIC SAFETY AND JUSTICE SERVICES:**

#### **Sheriff**

- 6 new deputies assigned to the Peninsula patrol (2), South Hill patrol (2), and the Community Support team (2)
- 2 sergeant positions
- 1 detective for the sexual offender registration program
- the deletion of the "Steilacoom contract chief position"

#### **Corrections**

- a full year operating costs for the New Jail, which is scheduled to open this fall
- the inclusion of the debt service costs for the New Jail bond issue (previously budgeted in the Jail Construction Reserve account)
- the deletion of 8 positions due to the previously approved reduction of 1 Pod from the New Jail capacity use schedule

#### **Superior Court**

- County funding for the Breaking The Cycle program

#### **Juvenile**

- the addition of 2 detention officers to reduce overtime and extra hire expenses
- 1 additional accounting assistant for the revenue generating programs

#### **Jail Construction Reserve**

- funding for the fifth phase of the Jail financing plan, with the jail debt service now being charged to the Corrections budget

#### **Assigned Counsel**

- two positions and extra hire reduced in the Dependency pilot project due to a cutback in State funding

#### **Involuntary Treatment Program**

- Due to a reduced level of state funding, we are scaling back the program and deleting the following staff positions:

Prosecutor – one county attorney

Clerk – one legal assistant position and a reduction in court reporting expenses

Assigned Counsel – 1 attorney and .3 legal assistant

#### **District Court**

- reflects the consolidation of all 4 district courts into one court structure, with the reduction of 4 positions.

#### **District Court Probation**

- the reduction of one work crew chief and related expenses (superior court)

### **ALL OTHER PROGRAMS & SERVICES:**

#### **Assessor Treasurer**

- the reduction of 8 positions (September 2003) due to the efficiencies from the C.A.T.S. project

#### **P.A.L.S.**

- 7 new staff in the development engineering section and the replacement of the Development Center Information System; funded through proposed fee increases

#### **Council**

- the reduction of .5 clerical aide

#### **Special Projects**

- the reduction of one research position in the Performance Audit program

#### **Parks and Recreation**

- one new office assistant position at the Sprinker Recreation Center

#### **Building Remodeling Projects**

- an allocation of \$2,000,000 from prior fund balance for building remodeling, especially at the County-City Building

The remaining General Fund departments not mentioned above experienced a largely status-quo budget.

As a cautionary note, the percentage change in a particular budget may not always be a valid indication of the extent to which a department's real inflation adjusted resources are growing (or decreasing) from the prior year. This is often the case because:

- a) Many departments had grants or service contracts in 2002 which are not renewed in 2003, or vice versa.
- b) Several departments have other unique items in 2002 which are not present in 2003 (special election costs, capital equipment purchases, one time projects, etc.).

It is necessary to review each department's situation in some detail to determine what is happening in 2003. I would refer the reader to the "Budget Highlights" section in each departmental budget for a fuller explanation of any budgetary changes.

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## STAFFING LEVEL CHANGES

The impact upon staffing levels of the previously described changes on page 6, plus other changes in non-General Fund operations, are summarized below. As the figures indicate, we have made priority adjustments so that our most vital programs could be enhanced where possible.

### **Staff Decreases:**

1) Council	- .5	Clerical position
2) District Court	-4.05	Court consolidation
3) Assessor Treasurer	-8.0	Positions related to CATS (September 2003)
4) Information Services	-6.0	Positions related to CATS (September 2003)
5) District Court Probation	-1.0	Work crew chief (Superior Court)
6) Corrections	-8.0	Delayed hiring due to phased opening of New Jail
7) Prosecutor	-1.0	Attorney, involuntary commitment
8) Clerk	-1.0	Legal Assistant, involuntary commitment
9) Assigned Counsel	-3.3	Attorney and Paralegal (dependency), one Attorney and .30 Legal Assistant (involuntary commitment)
10) Performance Audit	-1.0	Research position
11) Radio Communications Fund	-1.0	Grant funded position ends
12) Sheriff	<u>-1.0</u>	Contract for Steilacoom "chief" expires
	-35.85	

### **Staff Increases:**

1) P.A.L.S.	+7.0	Development Engineering staff (funded with new fees)
2) Sheriff	+9.0	2 Sergeants, 6 Deputies, 1 Detective
3) Parks and Recreation	+1.0	Office Assistant at Sprinker (extra hire issue)
4) Juvenile	+1.0	Accounting Assistant (revenue/fee functions)
	+2.0	Detention Officers (extra hire/O.T. issues)
5) Information Services	+1.0	Info Technology Specialist (Sheriff - Criminal Justice Fund)
6) Roads Fund	<u>+2.0</u>	Design Team to keep capital projects on schedule
	+23.0	

### C. Use of Prior Fund Balance

Figure 3 and Figure 4 present the actual financial results for the General Fund during the 1992-2001 period, and the budgeted amounts for 2002-2003. As indicated in Figure 3, the trend during the last decade has been largely positive. Both a strong economy and prudent fiscal policies have produced favorable financial results. However, in fiscal 2002 we have budgeted a \$6.3 million deficit, most which is for one-time expenses. The proposed 2003 budget also reflects a deficit (\$2.4 million); again for one-time expenses.

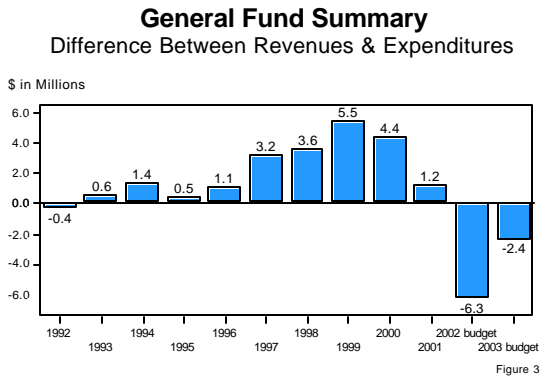


Figure 3

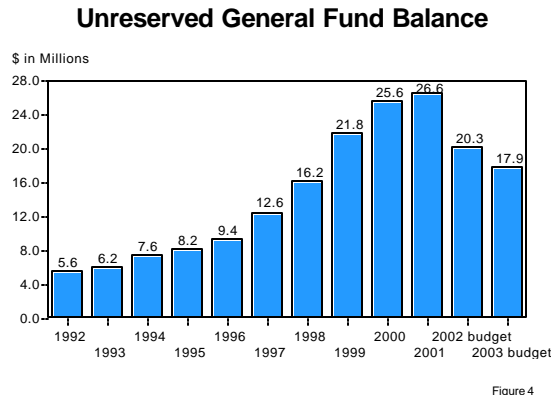


Figure 4

If the 2002 actual results match the budget, the General Fund balance will be approximately \$20.3 million at the end of 2002 (see Figure 4). It is the County's policy to maintain a fund balance for emergency and working capital purposes which is between 5% and 8% of the budget. We will still be slightly above that range at the end of fiscal 2002, and exactly at the top of the range at the end of 2003 (as shown in Figure 5).

### Unreserved General Fund Balance as a Percent of the General Fund Budget

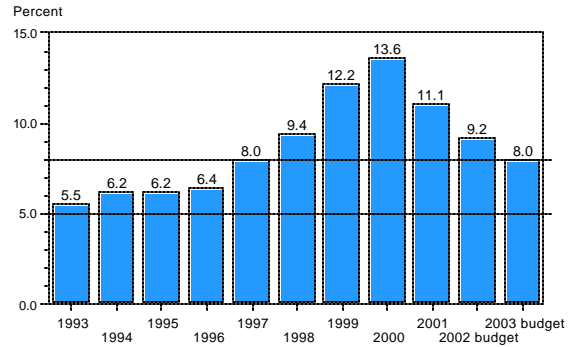


Figure 5

It should be noted that the preceding charts for 2002-2003 represent the budgeted figures. Our late summer projections had indicated that fiscal 2002 actual results were likely to be slightly more positive than budgeted. However, the economy remains weak, and our projections are quite tentative.

### D. Tax Rates and Assessed Valuations

The growth in assessed valuation from 2002 to 2003 was approximately \$1.7 billion (3.7%), which is the lowest percentage growth experienced in the last decade. Approximately 80% of this growth is due to new construction, with the remaining 20% due to revaluations of existing properties. Percent changes in Assessed Valuation totals for the last ten years are indicated in Figure 6 below.

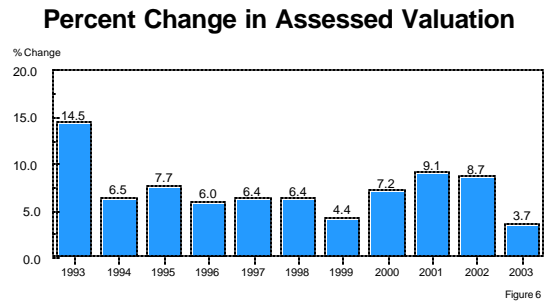


Figure 6

The 1% revenue growth limitation, coupled with a very small growth in the valuation of existing property, will result in a slight increase in the tax rates, as shown in the following table.

General Tax Rates	2003	2002
A. General Levy (\$1.80 max.)		
General Fund	\$ 1.5888	\$ 1.5842
Veterans Relief	0.0105	0.0107
Social Services	0.0224	0.0224
<b>Total General Levy</b>	<b>\$ 1.6217</b>	<b>\$ 1.6173</b>
B. Road Levy (\$2.25 max.)		
	\$ 2.1655	\$ 2.1576

Please keep in mind that the County's General Fund share of the total property tax is only 11% of the total. Most of the property tax paid by our citizens is allocated to the State of Washington, Cities and Local Schools.

### E. Prognosis for Fiscal 2004

It now appears that the state and local economies are in for a period of uncertainty and, at best, moderate growth over the next 24 months. This will in turn place great pressure on our revenues.

The major service contracts with the new cities (sheriff services, corrections, and road maintenance) will likely be maintained at least through 2004. However, an additional incorporation (Frederickson) is being considered within the next 12 months. The impact of this potential incorporation would be uncertain, but not as significant as was the case with the University Place-Lakewood-Edgewood incorporations in 1995-1996.

It is likely that fiscal 2004, without a major new revenue source provided by the State Legislature, will be worse than fiscal 2003 for the following reasons:

- the impact of I-747 becomes progressively worse with each passing year
- the massive State budget problems will likely result in reduced grants and allocations to local units of government
- state determined pension rates are proposed to be increased in mid 2003, due to the dramatic declines in stock market valuations
- the impact of the New Jail (with the likely opening of an additional cluster) will add to our Corrections Department expenses
- Salary increases are projected to be moderate in 2003 (low C.P.I. for the last twelve months). It is likely that the 2004 C.P.I. will be higher.

## II. OTHER COUNTY FUNDS

Many of the County's programs are financed from sources outside of the General Fund. In total, these funds have combined expenditures well in excess of the General Fund budget. However, the

nature of the revenue sources mandate that **these monies can only be used for specific activities**. Hence, they are budgeted and accounted for in separate funds. Summary figures for each fund can be found in the Total Expenditures/Expenses table of the General Overview section.

### A. Community & Human Services Funds

The County is a major provider of community and human services through programs funded primarily from state and federal grants, which often vary significantly for each fiscal period. The reduction in **Community Action** is due primarily to fluctuations in the spending allocations from HUD and Welfare to Work grants. The 2003 budget for **Community Development** anticipates a reduction in the federal CDBG allocation. The 2003 budget for the **Housing Repair Program** is significantly less than 2002 due to the fluctuation in the federally funded Supportive Housing and Home Programs.

**Human Services** shows a slight decrease in funding overall, as the Mental Health programs continue to see funding reductions. The **Puget Sound Behavioral Health** fund separately accounts for the community inpatient program which is a service under the Mental Health unit of the Human Services Department. The 2003 Budget reflects an overall decrease due largely to the delay of the remodeling projects.

Community & Human Services		
Fund	2003 Budget	2002 Budget
Community Action	\$ 5,353,650	\$ 5,736,379
Community Development	6,068,790	7,408,040
Housing Repair Program	9,962,450	10,274,536
Human Services	81,801,630	83,283,971
Puget Sound Behavioral Hlth	15,660,970	19,949,680
<b>Total</b>	<b>\$ 118,847,490</b>	<b>\$ 126,652,606</b>

It is our belief that the funding from state and federal sources is simply inadequate to finance the service levels which ought to be provided. We are working with state and federal agencies in an attempt to increase the funding levels, and it is possible that additional grant monies will be secured in 2003. However, even these potential new grants will probably be insufficient to cope with many of the human service needs in Pierce County.

Even though most of the funding for these human and community service programs comes from state and federal grants, the General Fund and other locally generated revenues still provide a

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sizeable contribution, as indicated in the following table. In addition, many of the General Fund dollars allocated to the Health Department will in turn be budgeted for social and human services.

AIDS Foundation.....	\$20,270
Breast Cancer Awareness Center.....	23,040
Centro Latino.....	46,080
Community Action Grant Match.....	75,000
Day Care Referral Program.....	20,270
Domestic Violence Commission.....	79,250
D.U.I. Program.....	8,730
Emergency Food Network.....	12,900
Family Counseling Services.....	3,460
Involuntary Commitment Program.....	98,000
Mental Health Services in the Corrections operations.....	628,470
Pierce County Alliance – CRESTOS.....	8,290
Senior Centers.....	198,590
Sexual Assault – Allenmore.....	10,140
Social Service Programs (earmarked property taxes).....	1,046,000
Social Service (substance abuse program from liquor taxes).....	21,500
TACID.....	26,110
	<u>\$2,326,100</u>

### B. County Road Funds

The County Road activities are actually divided into two separate funds - one for Maintenance and the other for Construction projects. The **Maintenance Fund** provides for all the administrative, general engineering, and roadway maintenance activities, and is budgeted above the 2002 level. This budget level will provide for a moderate increase in maintenance activity, and includes monies for new facilities and capital projects.

Road Maintenance Expenditures	
1997 Actual	\$ 43,956,810
1998 Actual	\$ 41,540,239
1999 Actual	\$ 43,414,053
2000 Actual	\$ 47,104,468
2001 Actual	\$ 44,290,866
2002 Budget	\$ 54,116,410
2003 Budget	\$ 59,328,570

The **Roads Construction** fund is budgeted at a total of \$51.6 million in 2003, which is well above actual prior year expenses. This budget will

provide for a strong road construction and improvement program next year.

### C. Enterprise Funds

The County operates six enterprise funds, so named because they function as business enterprises which charge their customers for the services provided. These funds are **Sewer Utilities, Golf Courses, Solid Waste, Airport, Ferry Services** and **Water Utility** funds.

The comparative budget figures for both 2003 and 2002 are as follows:

Enterprise Funds			
Fund	2003 Budget	2002 Budget	% Change
Sewer Utility	\$ 85,221,620	\$ 101,611,260	(16.1)%
Golf Courses	1,079,310	1,229,950	(12.2)%
Airport	583,880	1,034,770	(43.6)%
Solid Waste Mgmt	5,664,540	5,589,840	1.3 %
Ferry Services	2,615,250	2,507,520	4.3 %
Water Utility	426,490	432,880	(1.5)%

**Major** Budget changes are due to:

- The decrease in the **Sewer Utility** is due to a reduction in the capital construction program.
- The **Golf Courses** fund decrease resulted from a lower budget for capital and facility improvements in fiscal 2003.
- The large decrease in the 2003 **Airport** fund is also due to a lower allocation for capital and repair items.

We are proposing fee increases for the Golf Courses, the Airport, and Solid Waste landfill fees.

### D. Internal Service Funds

Internal Service Fund operations provide services, supplies, and equipment to other County departments, which pay for these services through various billing systems. In essence, these funds operate under the enterprise fund business model, except that their customers are other County departments. The long-range goal is to establish rates which will pay all operating and capital costs, and to insure that the General Fund does not need to subsidize these activities.

The following summarizes any **significant** changes in the 2003 budgets:

**Equipment Services** Fund - the increase results from scheduled vehicle replacements, and the request for new additions to the fleet.

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**Facilities Maintenance Fund** – reflects a significant increase due to the full year facility maintenance expenses at the New Jail.

**Information Services** – reflects the reduction of 6 positions due to the projected efficiencies from the new C.A.T.S. program.

**Fleet Rental Fund** – reflects an increase for both replacement vehicles and the vehicle purchase costs for the new Sheriff's department staff.

**Self-Insurance and Workers Compensation** funds reflect sharp increases in 2003 based upon claims experience in the 2000-2002 period.

Many of these internal service funds will rely upon prior fund balance in order to support their 2003 budgets. This results from both the scheduled replacement of capital assets using depreciation reserves, and our desire to keep charges to other funds (especially the General Fund) to a minimum.

### E. Special Revenue & Other Funds

The remaining County Funds have been established by state law or county ordinance to separately record the revenues and expenditures associated with specific programs. The most important 2003 budget highlights are:

- 1) The **Conservation Futures** fund reflects a very large land acquisition program.
- 2) The **Imaging System** fund contains major allocations to preserve the oldest records in the Auditor's Office, image the "property cards" in the Assessor's office, and complete an imaging project for official county records in the Executive's Office.
- 3) The **Parks Sales Tax/Parks Construction** funds contain significant amounts for the construction of new park and recreational facilities.
- 4) **911 System Fund** includes major allocations for technology improvements.

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### III. UNRESOLVED ISSUES

Most issues are resolved during the budget preparation and adoption process. However, there are usually several issues which will "play-out" later once the new year is underway, and as developments unfold or new information becomes available. This budget is not unusual in that respect. We have several issues that are still in their formative stages, and which will need a resolution, and perhaps additional funding, in 2003.

**Office Space/Courtrooms** — we will be renting at least 160,000 sq. ft. of office space and 40,000 sq. ft. of storage space next year, at an estimated cost in excess of \$2,000,000. This problem becomes more acute each year, and needs to be addressed in the near future. A more immediate space problem concerns the Superior Court, which needs additional courtrooms, judges chambers, and space for support staff. That need is likely to grow in the next several years.

**Medical Insurance** — preliminary rate quotes for medical insurance are well in excess of what is budgeted, and what we can reasonably afford. Medical premiums have increased 50% in the last four years, and such increases are not financially sustainable. We are in the process of analyzing alternative proposals which we hope will maintain our basic benefit program at rates that are affordable.

**Endangered Species Act** — the County's responsibilities under the Endangered Species Act are still unfolding, and subject to a future series of federal and state guidelines, plan approvals, and locally adopted regulations and practices. We have already budgeted significant monies to fund our participation in this process, to assist in the generation of the necessary regulations and plans, and to finance several capital improvements. It is uncertain whether additional allocations may be required to fully comply with all that will be eventually mandated by this Act.

**Emergency Operations Center/Emergency Communications Sales Tax** — both the Executive and Council feel that the current location of the emergency operation center in the basement of the County-City Building is inappropriate. It is our plan to partner with the City of Tacoma (and perhaps other jurisdictions) to co-locate a permanent joint site. We are also involved in coordinating a series of meetings with local emergency communications entities (county, cities, and fire districts) to determine the needs that exist in this area and the prospects for financing those needs and the E.O.C. through the .1% sales tax approved by the State legislation last year. It is likely that this measure will be placed before the electorate in 2003; perhaps as early as March.

**Union Negotiations** — many of our union contracts expire at the end of this year. If the eventual settlement is beyond the amounts included in the budget, further budget adjustments may be necessary.

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## SUMMATION

The 2003 budget is being submitted to the County Council at a time of unusual economic and financial stress. Issues surrounding the general state of the economy, the impact of the War on Terrorism, the crippling impact of I-747, and the eventual impact of the State's budget crisis argue for a cautious approach to next year's budget. We are also advising caution with regard to the use of any fund balance reserves. It is my view that the use of reserves should only be for one-time activities or projects (e.g. new facilities, building remodeling), or for emergencies. They should not be allocated for ongoing staff and programs.

Despite these pressures and uncertainties, we still have a responsibility to move forward and make the best use of the resources available to us. I believe that this proposed budget does that.