

Pierce County

2012 Budget In Brief

This document is a “brief” look at the adopted 2012 Pierce County budget. We hope it will enhance your understanding of how the County is organized, the services it provides, and the funding sources used to provide those services. Our purpose is to deliver to the citizens of Pierce County the very highest quality of services as efficiently and economically as possible, making every dollar count. Thank you for the opportunity to serve you and to be able to make Pierce County government the best it can be.

County Executive

Pat McCarthy

County Council

Roger Bush

Timothy Farrell

Stan Flemming

Joyce McDonald

Dick Muri

Dan Roach

Rick Talbert

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to Pierce County, Washington for its annual budget for the fiscal year beginning January 1, 2011. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, an operations guide, a financial plan, and a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

| | |
|-------------------------------------------------------------|-----------|
| Pierce County Profile..... | 1 |
| Overview | 1 |
| Demographics | 2 |
| Economic Conditions | 3 |
| Unemployment..... | 3 |
| Real Estate Activity | 4 |
| Taxable Sales | 5 |
| Port Facilities..... | 5 |
| Joint Base Lewis McChord..... | 6 |
| Budget History..... | 6 |
| Organizational Overview..... | 7 |
| Mission and Goals | 8 |
| Budget Highlights..... | 9 |
| Outlook for 2013..... | 9 |
| Total Pierce County Revenue & Expenditure Overview..... | 10 |
| General Fund..... | 11 |
| Revenues | 11 |
| Expenditures | 13 |
| 2012 Major Service & Staffing Changes | 15 |
| Use of Prior Fund Balance | 16 |
| Other County Funds | 17 |
| Community Connections | 17 |
| Transportation Services Funds | 17 |
| Parks and Recreation Funds..... | 18 |
| Environmental Services Funds | 18 |
| Internal Service Funds | 19 |
| Summation | 19 |
| Summary..... | 19 |
| Unresolved Issues..... | 19 |
| Other Financial Information | 20 |
| Property Taxes and Assessed Valuation | 20 |
| Property Tax Levy Rates..... | 21 |
| Debt Capacity..... | 22 |
| 2012 Capital Improvement Program | 23 |
| 2012 Capital Improvement Program Summary..... | 26 |
| Capital Improvement Projects Sources of Funds..... | 27 |
| 2012 Impact on the Operating Budget | 27 |
| Staffing Information | 29 |
| Total Expenditures/Expenses | 33 |
| All Funds Comparison of 2012 Revenues and Expenditures..... | 36 |

OVERVIEW

The first settlers of the land that is now Pierce County were the ancestors of today's Nisqually, Puyallup, Squaxin, Steilacoom, and Muckleshoot Indians. These tribes settled the area many thousands of years ago, where the saltwater, lakes, and rivers made for an abundant selection of food. These same tribes were all in place when English sea captain George Vancouver sailed the inland waters as far south as what would one day be Seattle. He instructed his lieutenant, Peter Puget, to continue exploring southward in smaller boats. The inland waters were named Puget's Sound in the young naval officer's honor.

On Dec. 22, 1852, the Territorial Legislature of Oregon determined that Thurston County, which stretched from Olympia to the Canadian border and from the Cascades to the Pacific Ocean, was far too large. In response, the Legislature portioned out of it King, Jefferson, and Pierce Counties. The Legislature also passed laws appointing the first county officers and located the county seat at Steilacoom, which was chosen largely because it was the only town in Washington with its own jail.



Pierce County became a Home Rule County by a vote of the people in 1981. The County is governed by an elected County Executive and seven elected Councilmembers. The Prosecutor, Assessor/Treasurer, Auditor, Superior Court Judges, Sheriff, and District Court Judges are also elected by the people.

Pierce County is located on scenic Puget Sound and covers 1,794 square miles (1,676 square miles of land and 118 square miles of water). The County includes ten hospitals, seventeen public school districts, a large number of private schools, and nine colleges and universities.

Pierce County has a significant military population. Fort Lewis and McChord Air Force Base became Joint Base Lewis-McChord (JBLM)--one of 12 joint bases worldwide. JBLM has more than 25,000 soldiers and civilian workers. The post supports over 120,000 military retirees and more than 29,000 family members living both on and off post. Fort Lewis proper contains 86,000 acres and the Yakima Training Center covers 324,000 acres

McChord Air Force Base is home to the 62nd Airlift Wing is the active duty host wing on McChord and is joined by its Reserve partner, the 446th Airlift Wing. Together, they fly 50 C-17 Globemaster IIIs to combat zones.

Adjacent to JBLM, Camp Murray is home to the Washington National Guard and the Washington Air National Guard. The two armories at Camp Murray can be used for graduations, receptions, tournaments, youth events, potlucks, seminars, and charity events.

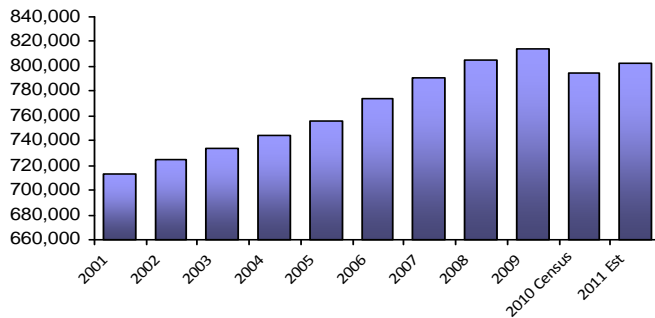
The County provides certain services on a countywide basis and other services only to unincorporated areas of the County. Within the appropriate jurisdictions, the County provides law enforcement, criminal detention, fire prevention, judicial administration, parks and recreation facilities, planning and zoning, road maintenance and construction, a sewage disposal system, human services, tax assessments and collections, community development, and general administrative services.

Pierce County Profile

Demographics

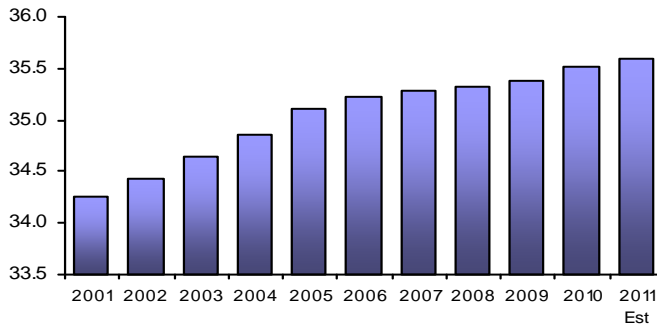
Pierce County is home to an estimated 802,000 people, the second largest county in Washington. Approximately 54% of Pierce County residents live in cities and towns. The four largest cities are

Population



Source: Office of Financial Management

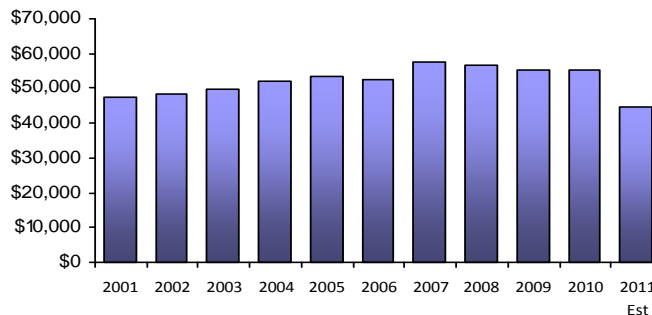
Median Age



Source: Office of Financial Management

Tacoma (198,900), Lakewood (58,190), Puyallup (37,240), and University Place (31,170). Pierce County is getting older. In the last decade the median age has increased 4%.

Median Household Income



Source: Office of Financial Management

Reflecting the recession, median income for Pierce County residents peaked in 2007.

Economic Conditions



The following is from the September 2011 *Washington State Economic and Revenue Forecast* prepared by the state Economic and Revenue Forecast Council:

The recently released national income and product accounts (NIPAs) showed a much more severe national recession than was previously believed. We expect to see similar downward revisions at the state level and have therefore made adjustments to our historical personal income data in anticipation of the upcoming revision.

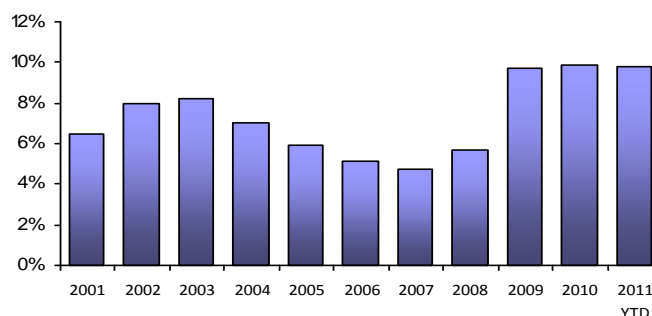
According to our current estimates, the peak-to-trough decline in Washington real personal income during the recession was actually 4.0% rather than the 1.6% we had previously believed. As of the second quarter of 2011, our new estimate of Washington personal income is \$4.6 billion (1.5%) lower than we thought it was when we made the June forecast.

Single-family housing continues to languish. The 12,600 single-family permits (SAAR) in the second quarter of 2011 were the lowest since the second quarter of 2009, but multi-family permits came in at a relatively strong 13,400 units in the quarter. We believe the trend is positive in multi-family housing due to rising rents and declining apartment vacancies but multi-family permits are likely to retreat from the very high level reached in the second quarter. The outlook for single-family construction is flat to negative through 2012.

The Washington economy is benefitting from strong export growth and hiring at both Boeing and Microsoft. While welcome, these advantages to the regional economy will not outweigh the drag from the weakening national and global economies. According to our preliminary September forecast, the job growth forecast for 2011 is unchanged at 1.2% but we now expect 1.6% growth in 2012 and 2.3% in 2013 compared to the 2.2% per year expected in the June forecast. Our personal income growth forecast is now 4.9%, 3.2%, and 4.6% in 2011, 2012, and 2013 compared to 5.1%, 4.4%, and 5.3% earlier. We do not expect to see a significant upturn in housing construction until the first quarter of 2013 which is two quarters later than assumed in June.

UNEMPLOYMENT RATE

Unemployment Rate



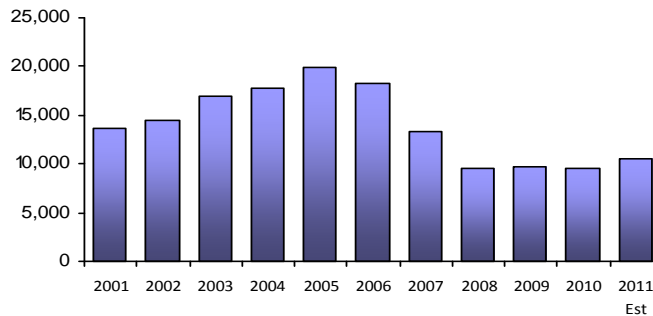
Source: Washington LMEA

The ten year unemployment rate in Pierce County ranged from a low of 4.4% in 2007 to a high of 11.6% in February 2010. The rate may eventually return to the pre-recession average of about 5.5% but the rate of change is unknown at this time.

Pierce County Profile

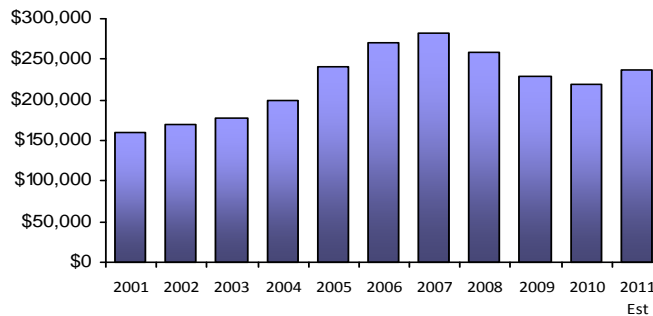
Real Estate Activity

Annual Existing Home Sales



Source: WSU Center for Real Estate Research

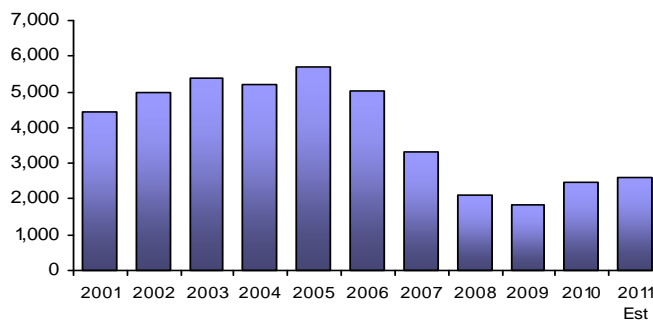
Annual Median Home Price



Source: WSU Center for Real Estate Research

Pierce County, like the rest of the state and nation, experienced a “hot” housing market from 2005 through 2007. During 2008 through 2010 existing home sales were stable at about 9,500 per year. Based on the first quarter of 2011 there may be an uptick in sales. However, the median price has been steadily declining at about 8% per year since 2007.

Annual Residential Permits

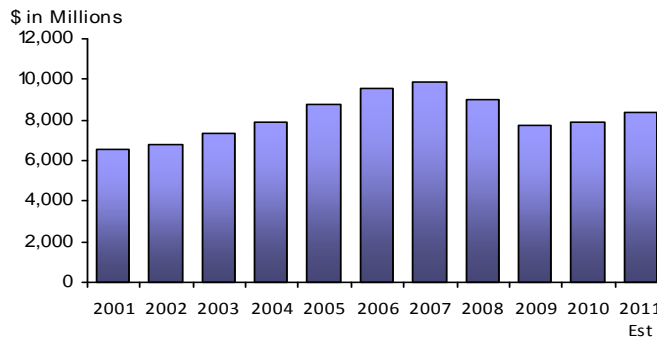


Source: Pierce County Planning and Land Services

Residential permit activity may have hit bottom at 1,841 in 2009. Recent permit activity is less than half the high point in 2005.

Taxable Sales

Retail and Construction Taxable Sales



Incorporated and unincorporated. Source: Department of Revenue.

Retail trade and construction contribute about 52% of Pierce County’s sales and use tax receipts.

Retail sales averaged 5% growth in 2009 and 2010, and increased 7% in the first quarter of 2011.

Construction has rebounded sharply from the low in 2009. Disaggregating the construction activity shows that the recent increases have been in the specialty trades (e.g., roofing, siding, and plumbing) and in heavy (e.g., infrastructure) construction. The crucial home and commercial segment is still declining.

Port Facilities

A major gateway to Asia and Alaska, the Port of Tacoma is a leading North American seaport, the seventh largest container port in North America. Located on Commencement Bay, a natural, deep-water harbor in south Puget Sound, the port has 2,400 acres used primarily for shipping terminal activity, warehousing, distributing, and manufacturing. The Port of Tacoma is an independent municipal corporation created by Pierce County citizens in 1918 and authorized to operate under state-enabling legislation.



Port of Tacoma’s year-to-date (YTD) cargo statistics through July 2011:

| | YTD 2011 | YTD 2010 | % change |
|---------------------------------|----------------|----------------|-------------|
| Foreign containers | 566,662 | 541,069 | 4.7% |
| Domestic containers | 275,840 | 280,393 | -1.6% |
| Total containers (TEUs)* | 842,502 | 821,462 | 2.6% |

* TEUs = 20-foot equivalent units

Pierce County Profile

JOINT BASE LEWIS-McCHORD

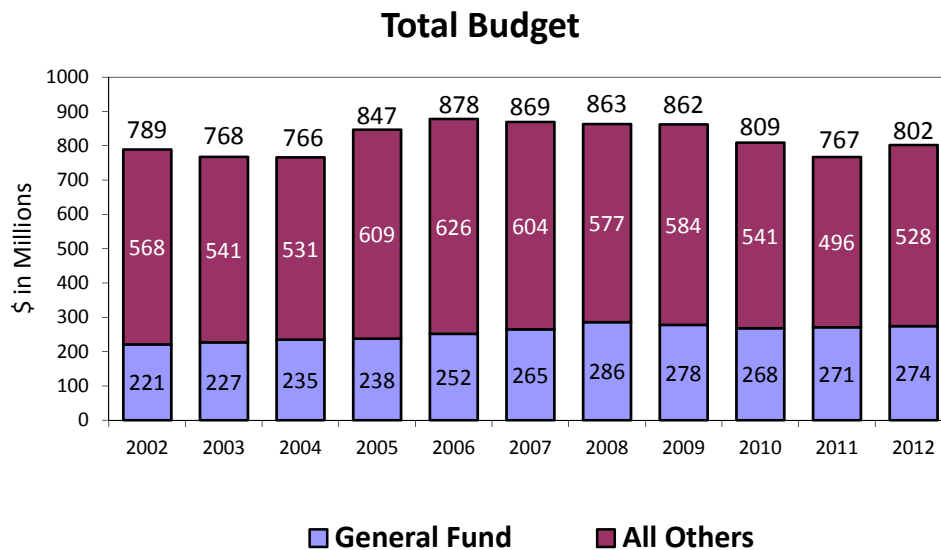
Joint Base Lewis-McChord (JBLM) was formally established as one of 12 joint bases worldwide on October 1, 2010. The merger of the former Fort Lewis (est. 1917) and McChord Air Force Base (est. 1947) was directed by the 2005 Base Realignment and Closure.

JBLM provides world-class installation support to more than 40,000 active, Guard and Reserve Service members and about 15,000 civilian workers. The base supports more than 60,000 family members who live on and off base, as well as almost 30,000 military retirees who live within 50 miles.



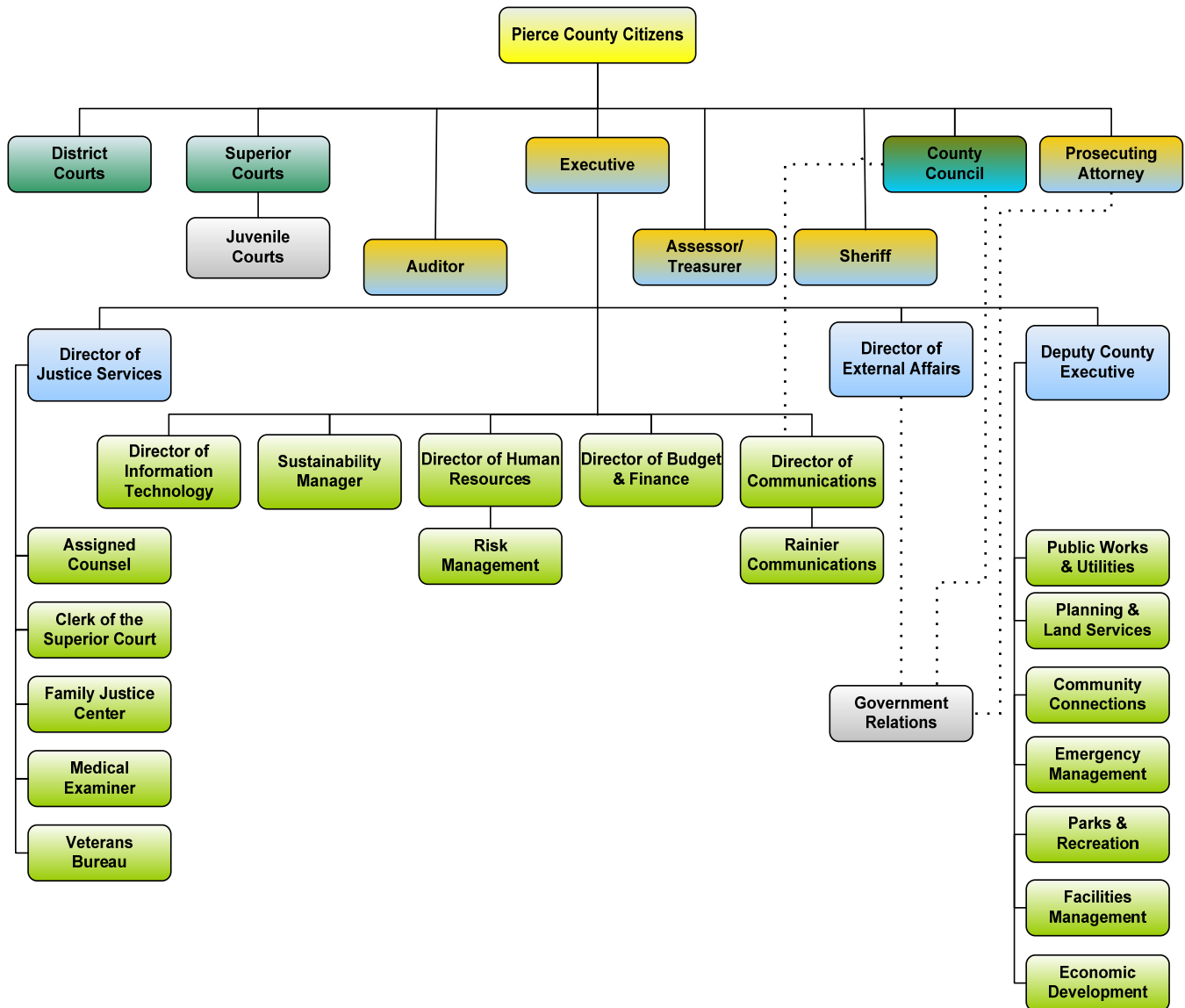
BUDGET HISTORY

Pierce County’s budget history over the past ten years for both the General Fund and the Total County are shown in the accompanying table. While the General Fund pattern shows a gradual upward trend, the Total Budget varies considerably from year-to-year, usually due to the level of major construction activity, the issuances of bonds (or bond refunding), and the initiation of major new services responsibilities.



Organizational Overview

Pierce County's home-rule charter was approved by the voters in November 1980 and became effective on May 1, 1981. The charter separated executive and legislative responsibilities by establishing the position of County Executive to serve as the chief executive officer and a seven-member Council to serve as the legislative branch.



The Council is the policy setting body of the County and has all the powers of the County which are not otherwise reserved to the People, the Executive, and general law. The Councilmembers are nominated and elected by the voters of seven districts in Pierce County. Legislative authority is exercised by the adoption and enactment of ordinances or resolutions.

The executive branch is comprised of the Executive and all executive departments established by the Charter or by ordinance. Executive departments include three currently elected positions (Assessor/Treasurer, Auditor, and Sheriff) with the other department directors recommended by the Executive and approved by the Council. According to the charter, all executive departments are subject to the personnel, budgeting, expenditure, and any other policies of general application established by the Executive. Control of County finances is under the authority of the Executive and is delegated to the Department of Budget and Finance.

Mission and Goals

In 2011, the County began a process to redefine or clarify the values, mission, and goals for Pierce County government. Based on input from department directors, and employee focus groups, the Value Statement, Mission Statement, and Goals were developed. Additionally, working with the State Auditor's Office the Executive established a workgroup to begin implementation of the Balanced Scorecard performance management system, which reflect validated management practices against which an organization can measure itself.

I.

Vision

Improving lives through innovative and passionate public service.

II.

Mission

As stewards of public resources. The Pierce County Executive Branch manages and delivers customer-focused, essential government services to enhance livability in our County.

III. **Values**

- **Integrity** – Open ethical, honest, and fair in all we do and words and deeds match up
- **Teamwork** – Cooperative effort by a group or team
- **Respect** – Show regard or consideration for someone's rights or opinion, a variety of cultures/lifestyles
- **Innovation** – Thinking outside the box – trying better ways to accomplish a goal
- **Public Service** – Focus on providing the customer service and action as good stewards of public resources

IV **Executive Goals** (listed at the bottom of this page) guide the County in the development of appropriate policies and procedures, and form the basis of each year's Budget and related Performance Measures.

V. **Performance Measures** are developed for each departmental or fund budget as appropriate. These measures are specific and quantifiable statements of what major items will be accomplished in this fiscal year and are **listed in each department's section of the 2012 Budget Document.**

Executive Goals

- A – **Financial Stewardship** – Prioritize, align, and manage all of the county's financial resources to achieve the County's vision in an effective, and sustainable manner.
- B – **Talent Management** – Attract, deploy, develop, and retain a diverse and talented workforce to continually deliver innovative and responsive services.
- C – **Service Delivery System** – Identify and optimize processes, tools, and teams to deliver high quality and efficient services.
- D – **Public Service** – Understand our customers' and stakeholders' needs and expectations and enthusiastically deliver essential county services.
- E – **Livable Community** – Through innovative leadership and services, continuously improve the sustainability and quality of life in Pierce County.

Budget Highlights

The 2012 budget totals \$801,900,031 which is \$90,187 below the 2011 level. The General Fund budget totals \$273,651,710 which is \$2.2 million above the 2011 levels.

Approximately 79 percent of the General Fund is dedicated to law enforcement and judicial services. Those services include funding for programs that prevent criminal activity, such as the Felony Gang Unit, Alternatives to Confinement, Drug Court, Alternative to Detention for Juveniles, Adult Probation, Day Reporting, and Offender Work Crews. Our economic development initiatives continue to focus on job creation and retention by supporting industry group clusters, streamlining regulations, and working in partnership with business-focused community groups. In addition, the budget continues to invest in services that foster healthy, livable communities. Funding has been allocated to open the renovated Sprinker Recreation Center and continue the operation and maintenance of other parks across Pierce County. The capital budget provides for ongoing improvements to parks, the transportation system, the surface water management system, the sewer utility, and other county facilities.

Reflecting the ongoing economic challenges of our country and region, the budget does not include cost-of-living increases for our employees - including the County Executive, County Councilmembers, and certain other elected officials - and it continues sharing the costs for employee health care. Reductions are necessary in the base budgets of County departments in order to balance the General Fund. However, these reductions have been targeted to limit the impact on the delivery of critical services.

Overall, the budget for 2012 is sustainable, reasonable, and appropriate. The budget preserves core services and ensures that Pierce County government will continue to live within its means.

OUTLOOK FOR FISCAL 2013

In this uncertain time it is difficult to confidently project ahead to fiscal 2013. However, based upon our best judgments, this is what we anticipate:

The local economy should enjoy a period of at least moderate growth in the general economy as we move toward more normal levels. Also, short term interest rates are likely to be raised, thereby giving a boost to investment revenues.

However, it is likely that fiscal 2013, without the approval of any new tax increase measure, will be as challenging as fiscal 2012 for the following reasons:

1. The impact of the state law on property tax becomes progressively worse with each passing year.
2. We are using fund balances in several Other Funds to reduce the budget pressure on the General Fund (Information Technology, Facilities Management, Geographic Information Services, Self Insurance, Jail Construction). Also we have two funds (Criminal Justice and Drug Investigation) which finance public safety and legal services staff, and which are likely to be fully depleted within one or two years.
3. The State is projecting further pension rate increases in mid-2013.
4. We have several staff which are funded with grant monies, and those are in jeopardy as state and federal budget issues affect this level of support.

Budget Highlights

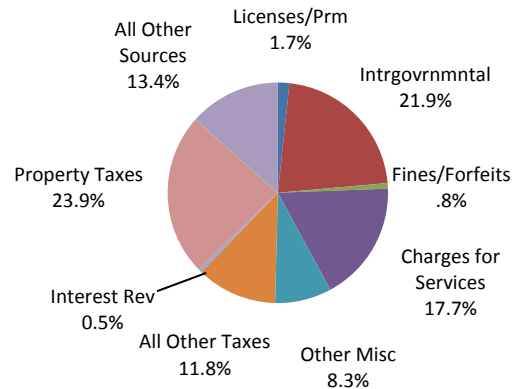
TOTAL PIERCE COUNTY REVENUE & EXPENDITURE OVERVIEW

Total revenues and expenditures projected for all 2012 Pierce County operations are summarized and compared to prior years on the following pages and are also discussed throughout the Executive Message. In total, the County's budget will be \$90,000 less than the 2011 level.

2012 Total County Revenues

Summarized by Source

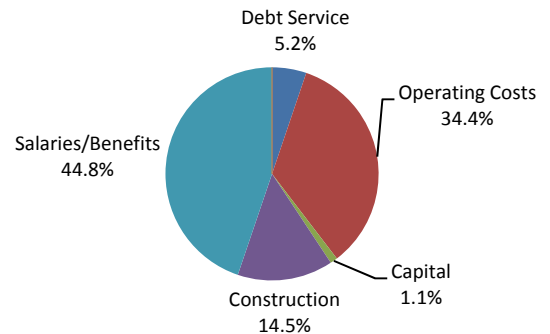
Just under 22% of the County's funding comes from Intergovernmental Revenues. Property and Other Taxes equals just under 36% of the total revenues. Service Charges, Licenses/Permits, and Fines/Forfeits provide just over 20%. Roughly 13% in All Other Sources category is primarily made up of the use of prior fund balance. Just over 8% for Other Miscellaneous includes the sale of fixed assets and transfers from operating funds to construction and debt service funds for those purposes. Interest revenues are just under 1%. The revenues for Internal Service Funds have been excluded from the totals used to calculate the percentages shown on the pie chart.



2012 Total County Expenditures

Summarized by Object Classification

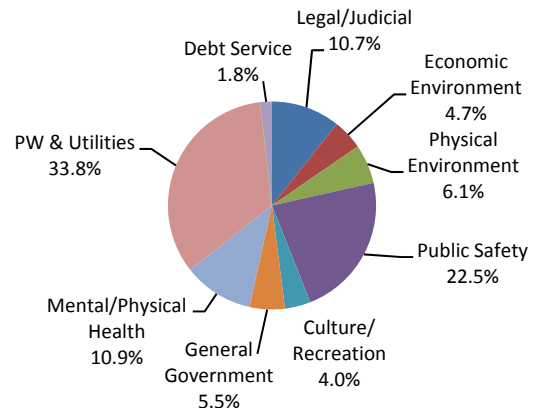
Roughly 45% of the County's total budget line item is allocated to personnel costs. All other operating costs consume roughly 34%. The remaining 21% is for capital purchases, construction, and debt service.



2012 Total County Expenditures

Summarized by Function

The Public Safety and Legal/Judicial Services combined accounts for roughly 33% of the total County expenditures, with the Mental and Physical Health system absorbing just under 11%. Just under 40% of the total expenditures are invested in the support of Public Works and Utilities, and the Physical Environment. 4% is related to Culture and Recreation. Roughly 5% is expended for Economic Environment activity and roughly 7% supports general government functions and debt service. The revenues for Internal Service Funds have been excluded from the totals used to calculate the percentages shown on the pie chart.



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 resource allocation flexibility

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 2012 revenues, with a comparison to the current year, is shown in the table below.

| GENERAL FUND REVENUE SUMMARY | | | | |
|-------------------------------------|------------------------|------------------------|----------------------------|---------------------------|
| | 2012 Budget | 2011 Budget | Absolute Change | Percent Change |
| Property Taxes | \$ 114,394,540 | \$ 111,307,800 | \$ 3,086,740 | 2.8 % |
| Sales Taxes | 53,351,900 | 51,976,000 | 1,375,900 | 2.6 |
| Other Taxes | 12,239,480 | 10,234,610 | 2,004,870 | 19.6 |
| Licenses and Permits | 8,155,490 | 8,556,200 | (400,710) | (4.7) |
| Intergovernmental Revenue | 39,952,480 | 40,017,153 | (64,673) | (0.2) |
| Charges for Services | 30,876,180 | 32,441,210 | (1,565,030) | (4.8) |
| Fines and Forfeitures | 5,696,710 | 6,475,450 | (778,740) | (12.0) |
| Interest Revenue | 3,199,340 | 3,611,910 | (412,570) | (11.4) |
| Other Miscellaneous Revenue | 5,560,590 | 5,998,337 | (437,747) | (7.3) |
| Subtotal Revenues | \$ 273,426,710 | \$ 270,618,670 | \$ 2,808,040 | 1.0 % |
| Fund Balance | 225,000 | 788,880 | (563,880) | (71.5) |
| Total Available Resources | \$ 273,651,710 | \$ 271,407,550 | \$ 2,244,160 | 0.8 % |

Our revenue projections are based largely upon the following assumptions:

1. The local economy will remain sluggish, but we expect to see a gradual but modest improvement over the next 15 months.
2. Inflation will be moderate next year, thus giving only a modest boost to Sales Taxes.
3. Short term interest rates will remain at their current historically low levels, throughout 2012.
4. We will continue to receive city contract revenues for several major services (principally Sheriff law enforcement and jail operations).

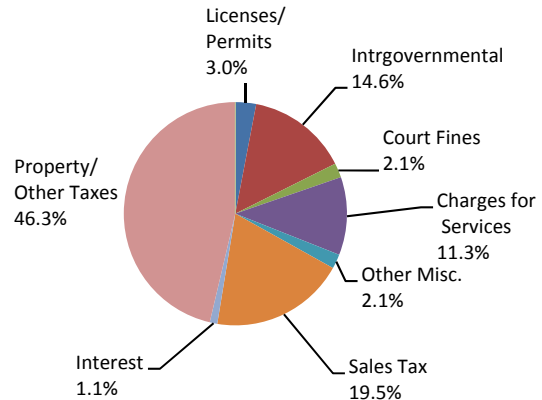
Based upon the above assumptions, and with an in-depth review of our revenue patterns, we are projecting an **increase** in General Fund revenues of only 0.8% over the 2011 budget. This is obviously an extraordinarily small increase, and reflects both the state of the economy and circumstances unique to Pierce County.

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

- ❖ **Property Tax** revenue collections are projected to increase by 2.8% in 2012. This increase is based upon three factors. The first is the 1% available under state law. The second is the tax growth resulting from new construction and improvements (which is less than prior years), and any administrative adjustments made for 2012 collections.
- ❖ **Sales Tax** revenues are projected to increase by 2.6% over the 2011 budget. However, this is actually only a 2.2% increase over our **revised 2011 estimates**.
- ❖ **Other Taxes** revenue is projected to increase by 19.6%. Mostly due to default penalties on Property Tax

General Fund

- ❖ **Licenses and Permits** are projected to be 4.7% below the 2011 budget due to decreased projected development activity levels at PALS.
- ❖ **Intergovernmental Revenues** reflect a 0.2% reduction, due mostly to projected decreases in federal and state grants.
- ❖ **Charges for Services** are estimated to be 4.8% below 2011. This change is comprised of many significant increases or decreases in specific revenue sources (recording fees, planning fees, indirect cost charges, election reimbursements, etc.).
- ❖ **Fines and Forfeits** are projected to be 12% below the 2011 budget based upon the discontinuance of our involvement in the bridge toll fine activity.
- ❖ **Interest Revenues** are projected to generate an 11.4% decrease in 2012, as higher rate investments mature and funds are re-invested at lower interest rates.
- ❖ **Miscellaneous Revenues** are projected to decrease by 7.3% in 2012. Largely due to a decrease in transfers in.
- ❖ **Reserved Fund Balance** in 2012 is being allocated for deferred Parks and Recreation maintenance projects. The budget does not allocate any unreserved fund balance for the coming year.



Based upon the decrease in fund balance use, the percentage change in total resources available for next year's general fund expenditures is 0.8%.

Percent Change in General Fund Revenues

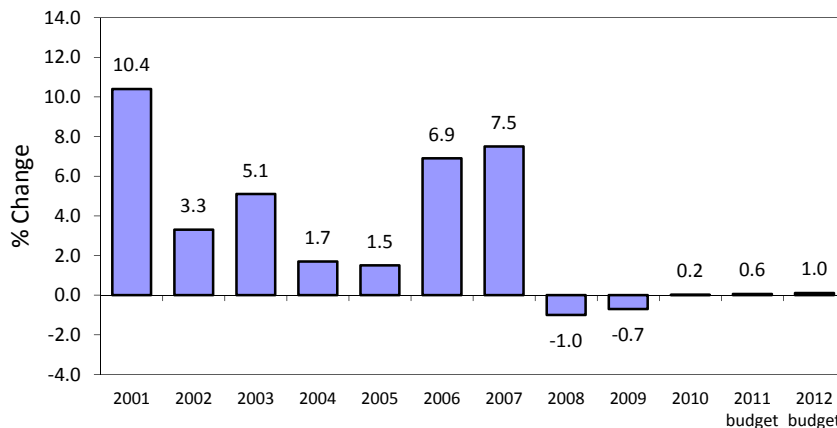


Figure 1

Comparative **revenue** increase figures for the last decade are shown in Figure 1. The increase of 1.0% in 2012 is still well below the average for the early part of the decade, but continues actual increases (albeit small) since 2010.

Property Tax Limit– In addition to the general state of the economy, it must be stressed that state law casts a major shadow over our finances. Since 2002 the growth in taxes from existing property has been limited to only 1% per year (in place of the previously available 6%). Such a limitation is well below the long term level of inflation, and imposes severe fiscal constraints on the County. The inevitable result is that service cutbacks and staff reductions in even an average economy become unavoidable.

The annual revenue loss, based on 2001 collections, for the first eleven years affected by this is shown on the prior page. These are very significant revenue losses, with the **annual amount in just fiscal 2011 equal to almost 20% of our General Fund budget**. The Road levy is also affected, with the 2012 loss estimated at \$31,000,000 (\$25,000,000 for the Road Fund, and \$6,000,000 for the law enforcement levy in the General Fund).

| GENERAL FUND PROPERTY TAX LIMIT LOSS | | |
|--------------------------------------|----|-----------------------|
| 2002 | \$ | 3,482,800 |
| 2003 | | 7,209,400 |
| 2004 | | 11,194,700 |
| 2005 | | 15,454,700 |
| 2006 | | 20,006,200 |
| 2007 | | 24,867,000 |
| 2008 | | 30,056,100 |
| 2009 | | 35,593,500 |
| 2010 | | 41,500,500 |
| 2011 | | 47,799,600 |
| 2012 | | 54,514,700 est. |
| Total | | \$ 291,679,200 |

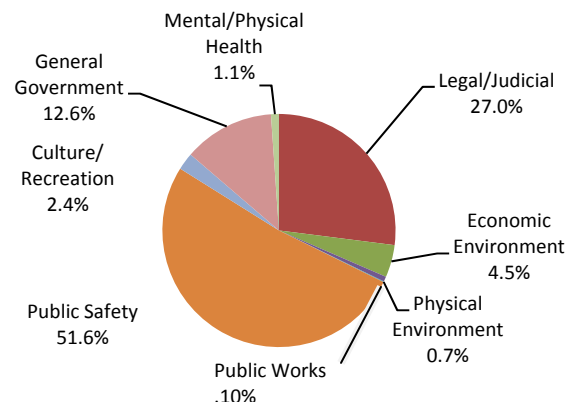
This continues to erode our financial foundation. It will likely lead to further significant long term reductions in public safety, the justice system, road maintenance, health services, and other vital county programs. This will be the case even when the economy returns to a more normal level.

B. GENERAL FUND EXPENDITURES

The projected Revenue Budget increase of only 0.8% will obviously not be sufficient to fund all programs and staff at even the reduced 2012 levels. We estimate that, other things like “fixed costs” being equal, it would require a budget increase of approximately 3.6% to fund existing staff and operating costs for 2012. Therefore, cutbacks are unavoidable.

The Expenditure tables which follow summarize the 2012 General Fund Expenditure Budget, and compare it with the 2011 budget. The first table presents the General Fund according to **functional** category, while the second table lists each **departmental** budget.

As indicated in the **Functional** table, the combined total percentage allocated to Public Safety and Legal/Judicial Services is 78.6% of the budget. The increase in the 2012 General Fund budget allocated to Public Safety and Legal/Judicial Services is \$1.9 million, resulting in small increases or decreases in other functions in order to balance the budget. To the maximum extent possible, we have continued to prioritize Public Safety and the Judicial System. However, given that these two categories consume almost 79% of the budget, it is not possible or reasonable to exclude them entirely from budget reductions. As shown in the **Department Expenditures** listing, a few of the General Fund departments have a proposed 2012 budget which is below the 2011 level. Almost all other departments have an



General Fund

increase which is less than the level needed to maintain current staff and services (approximately 3.6%).

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

1. Many departments had grants or service contracts in 2011 which are not renewed in 2012, or vice versa.
2. Several departments have other unique items in 2011 which are not present in 2012 (special election costs, capital equipment purchases, one time projects, etc.).
3. There could be significant changes in annual "fixed costs", such as insurance, information technology, or space rental.

It is necessary to review each department's situation in some detail to determine what is happening in 2012. The "Budget Highlights" section in each departmental budget provides a more detailed explanation of any budgetary changes.

GENERAL FUND EXPENDITURES BY DEPARTMENT

| | 2012 Budget | 2011 Budget | Absolute Change | Percent Change |
|--------------------------------|-----------------------|-----------------------|---------------------|-------------------|
| Assessor/Treasurer | \$ 9,730,820 | \$ 9,629,100 | \$ 101,720 | 1.1 % |
| Assigned Counsel | 16,057,120 | 15,601,710 | 455,410 | 2.9 |
| Auditor | 9,039,300 | 8,814,210 | 225,090 | 2.6 |
| Bond Debt Service | 420,490 | 420,490 | — | — |
| Budget & Finance | 5,084,930 | 5,009,960 | 74,970 | 1.5 |
| Capital Improvement Projects | 50,000 | 50,000 | — | — |
| Clerk | 5,103,950 | 5,017,390 | 86,560 | 1.7 |
| Communications | 647,400 | 571,270 | 76,130 | 13.3 |
| Corrections Bureau | 51,464,960 | 50,757,170 | 707,790 | 1.4 |
| County Council | 3,955,220 | 3,913,970 | 41,250 | 1.1 |
| County Executive | 1,419,930 | 1,380,550 | 39,380 | 2.9 |
| District Court | 12,297,670 | 12,044,040 | 253,630 | 2.1 |
| Economic Development | 1,093,710 | 1,075,940 | 17,770 | 1.7 |
| Emergency Management | 3,397,030 | 3,307,700 | 89,330 | 2.7 |
| Health Services | 2,613,070 | 2,613,070 | — | — |
| Human Resources | 3,326,740 | 3,225,840 | 100,900 | 3.1 |
| Juvenile | 19,347,930 | 19,664,829 | (316,899) | (1.6) |
| Medical Examiner | 2,378,420 | 2,310,960 | 67,460 | 2.9 |
| Miscellaneous Current Expense | 2,896,350 | 2,684,090 | 212,260 | 7.9 |
| Parks and Recreation Services | 6,184,620 | 6,418,080 | (233,460) | (3.6) |
| Planning and Land Services | 10,824,740 | 11,106,580 | (281,840) | (2.5) |
| Prevention Services & Programs | 1,524,700 | 1,475,000 | 49,700 | 3.4 |
| Prosecuting Attorney | 27,073,670 | 26,659,796 | 413,874 | 1.6 |
| Sheriff | 61,380,140 | 61,121,350 | 258,790 | 0.4 |
| Special Projects | 1,683,930 | 1,745,810 | (61,880) | (3.5) |
| State Auditor | 188,890 | 182,110 | 6,780 | 3.7 |
| Superior Court | 14,110,370 | 14,319,785 | (209,415) | (1.5) |
| WSU PC Extension | 355,610 | 286,750 | 68,860 | 24.0 |
| Total General Fund | \$ 273,651,710 | \$ 271,407,550 | \$ 2,244,160 | 0.8 % |

GENERAL FUND EXPENDITURES BY FUNCTION

| | 2012 Budget | 2011 Budget | Absolute Change | Percent Change |
|---------------------------|----------------------|----------------------|---------------------|-------------------|
| General Government | \$ 34,562,680 | \$ 34,068,080 | \$ 494,600 | 1.5 % |
| Public Safety | 141,168,670 | 139,750,719 | 1,417,951 | 1.0 |
| Physical Environment | 1,790,990 | 1,724,100 | 66,890 | 3.9 |
| Legal & Judicial | 74,009,650 | 73,525,461 | 484,189 | 0.7 |
| Economic Environment | 12,296,920 | 12,479,790 | (182,870) | (1.5) |
| Mental/Physical Health | 3,127,570 | 3,097,570 | 30,000 | 1.0 |
| Cultural & Recreation | 6,585,230 | 6,761,830 | (176,600) | (2.6) |
| Public Works & Utilities | 110,000 | — | 110,000 | ∞ |
| Total General Fund | \$273,651,710 | \$271,407,550 | \$ 2,244,160 | 0.8 % |

C. 2012 MAJOR CHANGES

Staffing

The following chart summarizes the **major** 2012 budget staff reductions (at least .10 FTE) from the current 2011 budget. Given our fiscal circumstances these are moderate reductions, and total only a 1.2% staffing decrease in the General Fund from 2011. However, these staff decreases are in addition to those cutbacks which occurred in fiscal 2008, 2009, 2010, and 2011. In total the General Fund staffing reductions from 2008 to 2011 now equal 289 (13.4%), overall the County has seen a reduction of 482 FTEs during this time period.

STAFFING REDUCTION SUMMARY

| Department | 2012 Reductions |
|-----------------------------|--------------------|
| Clerk of the Superior Court | (2.00) |
| Executive | (0.19) |
| Budget and Finance | (1.00) |
| District Court | (2.50) |
| Juvenile Court | (11.06) |
| Corrections | (7.00) |
| Special Projects | (0.99) |
| Planning and Land Services | (6.50) |
| Assigned Counsel | (1.00) |
| Direct General Fund | (32.24) |

We estimate that **approximately half of the 32 position reductions for 2012 will result in actual lay-offs**. The remaining positions are currently vacant.

Although not reflected in this table, **several other departments will achieve budget savings through planned furloughs**.

Other Expenses

It needs to be emphasized that almost all departmental budgets also include significant reductions in many non-personnel accounts such as extra hire, overtime, equipment purchases, training, consulting, support for “outside programs”, etc.

Also, there are cutbacks in programs and services which are not directly related to staff or operating line-items.

Finally, in order to balance the General Fund budget and still keep priority programs intact, it was deemed necessary and appropriate to use fund balance in other funds to reduce charges to our General Fund departments. These funds included Information Technology, G.I.S., Self Insurance, and Facilities Management.

The “Budget Highlights” and “Program Expenditures” sections of each department or fund budget review many of the proposed budget changes.

Other County Funds

USE OF PRIOR FUND BALANCE

Figure 3 and Figure 4 present the actual financial results for the General Fund during the 2001-2010 period, and the budgeted amounts for 2011-2012. As indicated in Figure 3, the trend through most of the decade had been very mixed. A strong economy produced favorable financial results through 2007. However, the actual results for 2008, 2009, and 2010 reflect a much different environment, with major deficits in those years. The 2011 budget reflects \$788,000 use of fund balance (\$400,000 of which is reserved fund balance), and the proposed 2012 budget includes \$225,000 use of reserved fund balance.

If the 2011 actual results match the budget, the Unreserved General Fund balance will be approximately \$26.6 million at the end of 2011 (see Figure 4). It is the County's policy to maintain a fund balance for emergency and working capital purposes which is 10% of the budget (with a long-term goal of 15%). We were at the 10% level at the end of 2010, and should be close to that goal (9.8%) at the end of 2012 based on budget. However, given prior years expenditure experience, we anticipate the unreserved general fund balance to be at 10% for 2011 and 2012 (see Figure 5).

Unreserved General Fund Balance

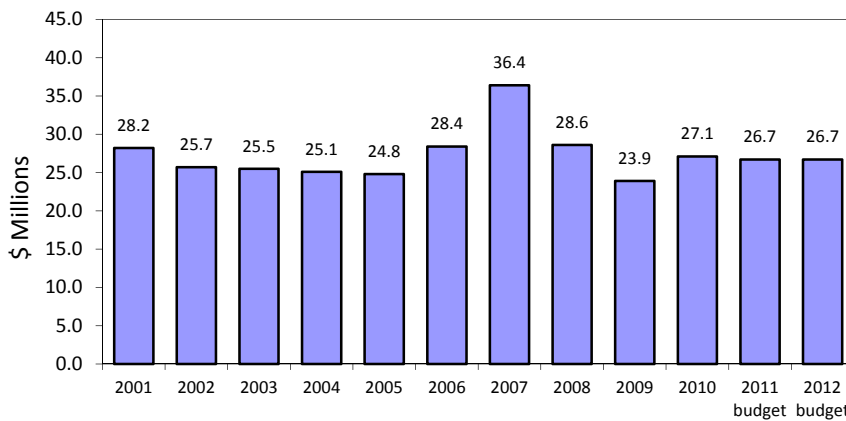


Figure 4

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

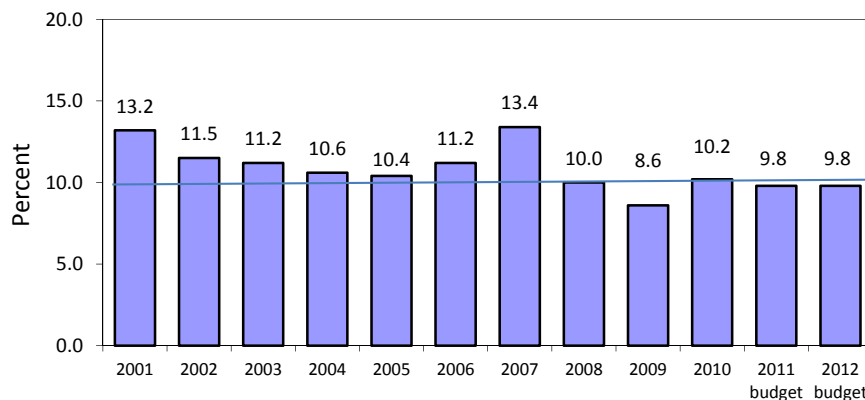


Figure 5

OTHER COUNTY FUNDS

A great many of the County’s programs are financed from sources outside of the General Fund. 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 CONNECTIONS

Community Connections is the County’s major provider of community and human services programs funded primarily from state and federal grants, and in recent years the new recording fees for housing programs.

Due to the vagaries of the grant funding process, these budgets often vary significantly from year to year. The following summarizes the **major funds** and the significant **changes from the 2011 budgets**:

| COMMUNITY CONNECTIONS | | | |
|------------------------------|--------------------|--------------------|-----------------------|
| Fund | 2012 Budget | 2011 Budget | Percent Change |
| Community Action | \$ 7,946,190 | \$ 10,763,166 | (26.2) % |
| Community Connections (HS) | 31,311,870 | 36,560,350 | (14.4) |
| Community Development | 3,905,840 | 3,925,883 | (0.5) |
| Homeless Housing Program | 8,306,200 | 4,386,390 | 89.4 |
| Housing Repair Program | 7,135,170 | 6,821,250 | 4.6 |
| Low Income Housing Fee | 1,840,810 | 1,690,840 | 8.9 |
| Mental Health Fund | — | 334,460 | (100.0) |

1. The **Mental Health Fund** reflects a discontinuation of those services. All remaining mental health activities and expenses have been moved to the Corrections Bureau in the General Fund.
2. **Community Action, Community Development, and Community Connections** reflect decreases in state and federal funding.
3. The changes in **Homeless Housing, Housing Repair, and Low Income Housing** programs reflect grant fluctuations and multi-year project impacts.

It is our belief that the funding from state and federal sources is not adequate to finance the service levels that should 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 2012. However, federal and state budget difficulties may result in future cutbacks in funding levels.

B. TRANSPORTATION SERVICES

The Public Works and Utilities Department has major transportation responsibilities, and accounts for these responsibilities and service costs in seven major funds.

The 2012 budgets, with comparisons to 2011, are shown in the table to the right.

The major items of note for next year are:

| TRANSPORTATION SERVICES FUNDS | | | |
|--------------------------------------|--------------------|--------------------|-----------------------|
| Fund | 2012 Budget | 2011 Budget | Percent Change |
| County Roads Fund | \$67,009,000 | \$ 61,717,460 | 8.6 % |
| PW Construction Fund | 26,209,000 | 35,902,000 | (27.0) |
| Ferry Service Fund | 6,638,310 | 4,612,150 | 43.9 |
| Airport Fund | 7,034,070 | 7,174,400 | (2.0) |
| Roads Second REET | 3,841,580 | 5,855,500 | (34.4) |
| Traffic Impact Fee Fund | 3,863,290 | 4,337,870 | (10.9) |
| Transportation Facilities | 2,162,000 | 752,000 | 187.5 |

The **County Road Fund** reflects increased transfers for construction and traffic enforcement.

The **Public Works Construction** Fund budget reflects anticipated project expenses.

Other County Funds

The **Ferry Services Fund** reflects increased repair and capital project expenses.

Roads Second REET reflects allocations from current revenues, while 2011 included bond proceeds.

Transportation Facilities includes construction and design increases for proposed facilities.

C. PARKS AND RECREATION FUNDS

Although the County's General Fund provides a direct allocation for parks and recreation services (\$6.2 million in 2012), there are several other County funds which provide park and recreation services or which construct, repair, or enhance park and recreation facilities. The 2012 budgets for these funds are shown to the right.

As the figures indicate many of these funds are increasing over the 2011 budget often due to an increase in use of fund balance. The large increase in the

Chamber Creek Regional Park is due to a new operating agreement and the decline in **Conservation Futures** reflects decreased land purchases.

| PARKS FUND | | | |
|-------------------------|--------------|--------------|----------------|
| Fund | 2012 Budget | 2011 Budget | Percent Change |
| Conservation Futures | \$ 5,000,830 | \$ 7,726,200 | (35.3) % |
| Parks Impact Fees | 325,060 | 325,020 | 0.0 |
| Parks Sales Tax | 3,119,040 | 2,954,990 | 5.6 |
| Parks Second REET | 893,340 | 773,000 | 15.6 |
| Paths & Trails | 1,619,940 | 1,487,480 | 8.9 |
| Parks Construction Fund | 1,592,000 | 1,220,250 | 30.5 |
| Golf Courses | 1,861,000 | 1,897,720 | (1.9) |
| Chambers Crk Regionl Pk | 9,331,690 | 6,944,660 | 34.4 |

D. ENVIRONMENTAL SERVICES

The County Public Works and Utilities Department has five funds which deal with environmental issues. These funds and budgets are listed below:

Major changes in these funds can be summarized as follows:

Surface Water Management reflects a proposed 5% rate increase, allocations for capital expenditures, and inflationary increases for staff and operations.

The **Sewer Utility** budget reflects large capital project allocations and a proposed rate increase to provide resources for future planned expansion capital projects.

River REET includes a sizeable allocation for land acquisition and infrastructure improvements.

The **Solid Waste** budget includes monies for post-closure expenses, the Pierce County Responds program, and continued emphasis on public information programs for recycling and yare waste/composting activities.

| ENVIRONMENTAL SERVICES FUNDS | | | |
|------------------------------|---------------|---------------|----------------|
| Fund | 2012 Budget | 2011 Budget | Percent Change |
| Surface Water Mgmt | \$ 24,738,600 | \$ 25,472,650 | (2.9) % |
| Sewer Utility | 113,592,280 | 89,904,210 | 26.3 |
| Solid Waste | 6,741,340 | 6,714,150 | 0.4 |
| Water Utility | 310,010 | 326,360 | (5.0) |
| River - REET | 7,883,820 | 7,684,530 | 2.6 |

E. INTERNAL SERVICE FUNDS

Internal Service Funds 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 ensure that the General Fund does not need to subsidize these activities.

Many of these Internal Service Funds will rely upon prior fund balance in order to support their 2012 budgets. This results from both the scheduled replacement of capital assets using reserves and our desire to keep charges to other funds to a minimum.

| INTERNAL SERVICE FUNDS | | | |
|-------------------------------|----------------|----------------|-------------------|
| Fund | 2012 Budget | 2011 Budget | Percent Change |
| Equipment Services | \$17,251,680 | \$16,702,700 | 3.3 % |
| Information Technology | 20,557,180 | 19,462,180 | 5.6 |
| Facilities Management | 13,436,410 | 12,309,350 | 9.2 |
| Radio Communications | 4,548,320 | 4,359,300 | 4.3 |
| Fleet Rental | 4,692,510 | 4,787,150 | (2.0) |
| General Services | 2,974,500 | 3,006,820 | (1.1) |
| Self Insurance | 8,575,750 | 8,751,870 | (2.0) |
| Workers Comp | 6,061,250 | 5,052,930 | 20.0 |
| Medical Self Insurance | 16,311,400 | 15,012,000 | 8.7 |

SUMMATION

Pierce County provides services to a growing and diverse population of 802,000 residents. We support these services with a workforce that is committed to efficiently meeting the needs of the public. Our ratio of one employee to 267 residents served remains one of the leanest. As in the past the County will strive to make every dollar count.

With the outlook for the national and regional economy still being uncertain, 2012 could bring further challenges. We will closely monitor our revenues and expenditures to ensure that Pierce County lives within its means while delivering the services and programs that citizens expect.

UNRESOLVED ISSUES

Most issues are resolved during the budget review 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 in 2012.

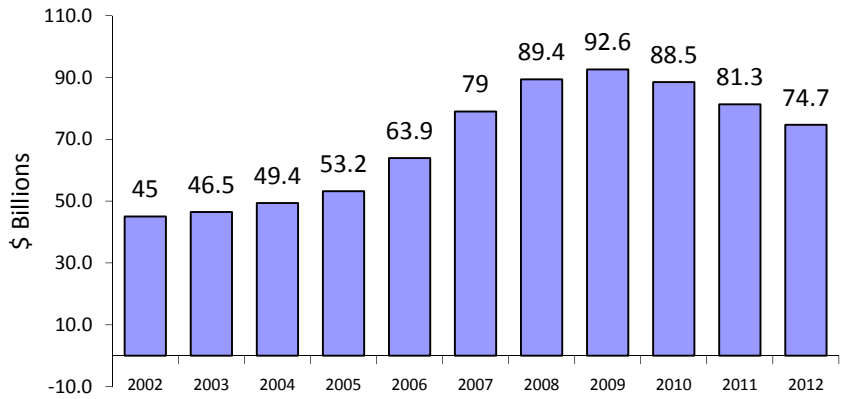
- ❖ **Federal and State Grants**
- ❖ **Property Tax Payments**
- ❖ **Building and Facility Needs**
- ❖ **Space Needs**
- ❖ **Jail Population Levels**

Other Financial Information

PROPERTY TAXES AND ASSESSED VALUATION

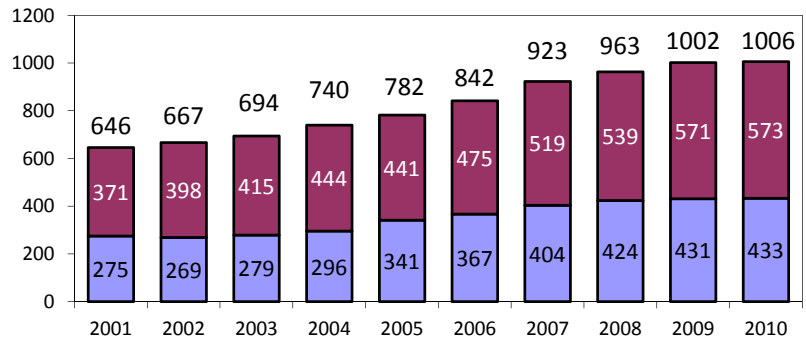
Property tax is the largest source of revenue in the General Fund and is a major source of revenue for the Road Fund. The Assessor/Treasurer values and provides information on approximately 1,080,000 acres of land in Pierce County. Of this total, 51% is taxable acreage, the remaining being exempt under state law. In addition to the statutory levies implemented through state legislation, local levies are imposed through a vote of the people. These are typically for school and fire districts. On average 42% of the total taxes levied over the last nine years have been voter approved.

Total Assessed Valuation



The growth in Property Tax revenue is dependent upon both the assessed valuation and the tax rate. For the third straight year the County's assessed valuation total will decrease for the next year, from \$81.3 billion to \$74.7 billion. This results in an assessed value decrease of \$6.6 billion for existing property, only partially mitigated by a \$718 million growth due to new construction.

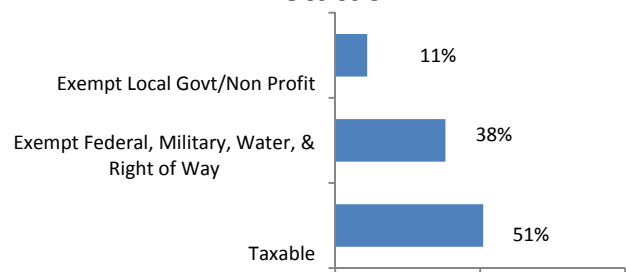
Voter Approved and Statutory Property Taxes



■ Voter Approved Levies ■ Statutory Levies

Of the total tax levies for 2010 (collected in 2011), 44% are voter approved and 56% are statutory levies. These percentages will not be known for the 2011 tax levies (collected in 2012) until January of 2012 when the final certification figures are available.

Pierce County Acreage Exemption Status



Of the total Pierce County acreage 49% is tax exempt. Federal and military lands, major lakes, and local Right-of-Way make up 38% of the exempted properties. Eleven percent is local governments and non-profits (mostly schools and churches).

Other Financial Information

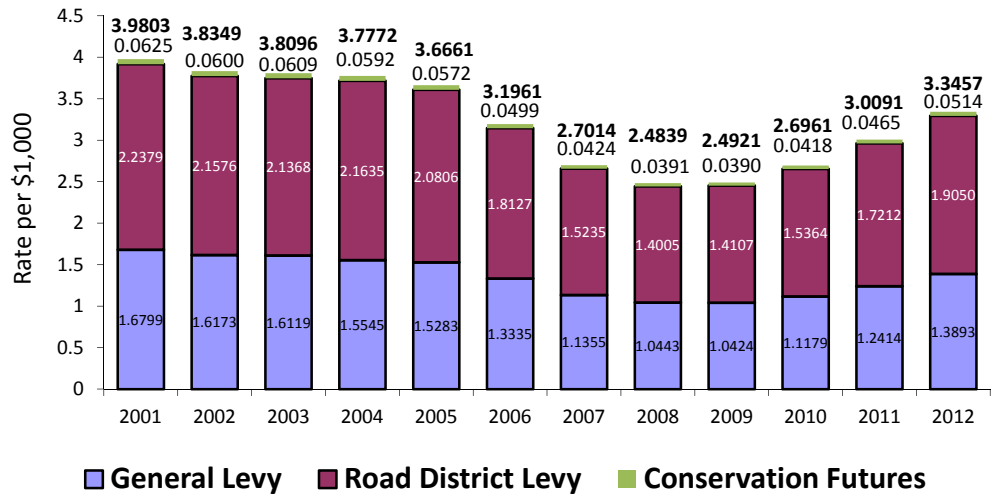
PROPERTY TAX LEVY RATES

Levy rates determine the amount of tax that a property owner pays per thousand dollars of assessed value. State law limits the maximum growth in property tax revenues from existing property to the lesser of 1% or the percentage increase in the Implicit Price Deflator (IPD).

This limitation on property tax revenue growth coupled with an inflationary increase in existing property revaluations had resulted in a major decline in rates since the law was enacted. The recent decreases in the valuation of existing property has now resulted in tax rate increases for 2009 - 2011.

The Combined Property Tax Millages chart presents historical and comparative detailed rate information.

Combined Property Tax Millages



| PROPERTY TAX LEVIES | | | | |
|--------------------------------------------------|-----------------------|-----------------------------------------|-----------------------------------------|-----------------------|
| | 2011 | | 2012 | |
| | Tax Rate ¹ | Revenue | Tax Rate ¹ | Revenue |
| | | Assessed Value: \$81,262,532,281 | Assessed Value: \$74,702,110,479 | |
| A. County Levy (\$1.80 maximum) | | | | |
| General Fund | \$ 1.2132 | \$ 98,585,220 | \$ 1.3446 | \$ 100,444,410 |
| Administrative Refund RCW 84.69 | <u>0.0033</u> | <u>272,110</u> | <u>0.0170</u> | <u>1,268,100</u> |
| Sub Total General Fund | 1.2165 | 98,857,330 | 1.3616 | 101,712,510 |
| Veterans' Relief | 0.0077 | 628,820 | 0.0086 | 640,680 |
| Social Services | <u>0.0172</u> | <u>1,397,380</u> | <u>0.0191</u> | <u>1,423,730</u> |
| Total County Levy | 1.2414 | 100,883,530 | 1.3893 | 103,776,920 |
| B. Conservation Futures (\$.0625 Maximum) | 0.0465 | 3,775,790 | 0.0514 | 3,836,630 |
| | | Assessed Value: \$34,842,102,612 | Assessed Value: \$32,091,440,190 | |
| C. Road District Levy (\$2.25 Maximum) | | | | |
| Allocated to Road Fund | 1.3818 | 48,146,090 | 1.5287 | 49,057,880 |
| Law Enforcement Levy | 0.3364 | 11,722,220 | 0.3722 | 11,944,210 |
| Administrative Refund RCW 84.69 | <u>0.0029</u> | <u>101,305</u> | <u>0.0041</u> | <u>132,580</u> |
| Total Road District Levy | 1.7212 | 59,969,615 | 1.9050 | 61,134,670 |
| TOTAL COUNTY TAX LEVIES | \$ 3.0091 | \$ 164,628,935 | \$ 3.3457 | \$ 168,748,220 |

¹Tax rates are applied to each \$1,000 of assessed value.

Other Financial Information

DEBT CAPACITY

Under Washington State Law, a county may issue general obligation debt for general county purposes in an amount not to exceed 2½% of all actual value of all taxable property. Unlimited tax debt requires an approving vote of the people, and any election to validate General Obligation Debt must have a voter turnout of at least 40% of those who voted in the last state general election, and 60% of those voting must be in the affirmative.

The County Council may, by ordinance, authorize the issuance of limited tax General Obligation Debt in an amount up to 1½% of the actual valuation within the County without a vote of the people. No combination of limited or unlimited tax debt may exceed 2½% of the actual valuation. The debt service on unlimited tax debt is secured by excess tax levies, whereas the debt service on limited tax debt is secured by taxes collected within the \$1.80 per \$1,000 of assessed value county operating levy.

As indicated in the following table, we have a significant debt issuance capacity for both limited and unlimited debt. The County currently has no voter approved debt outstanding.

DEBT CAPACITY AS OF SEPTEMBER 30, 2011

| | |
|-------------------------------------------------------------|--------------------------|
| 2011 Assessed Valuation for 2012 Tax Collections | \$ 74,702,110,479 |
| A. Inside Levy (issued without vote of the people) | |
| Legal Limit (1.5% of property value) | \$ 1,120,531,657 |
| <i>Amount of Debt Applicable to Debt Limit:</i> | |
| Net Limited General Obligation Bonds | \$ 128,174,248 |
| Net Limited General Obligation Bonds - Proprietary Type | \$ 20,966,802 |
| Estimated Compensated Absences (12/31/2010) | 24,987,000 |
| Installment Contracts - Ferries / Road / Sewers | 8,785,944 |
| Total Limited Tax General Obligation Debt | <u>182,913,994</u> |
| Limited Tax General Obligation Debt Margin Available | \$ 937,617,663 |
| B. Outside Levy (issued with vote of the people) | |
| Legal Limit (2.5% of property value) | \$ 1,867,552,762 |
| <i>Amount of Debt Applicable to Debt Limit:</i> | |
| Net Limited General Obligation Debt | <u>\$ 182,913,994</u> |
| Total General Obligation Debt Margin Available | \$ 1,684,638,768 |

PIERCE COUNTY BONDED DEBT RATIOS ESTIMATED AT SEPTEMBER 30, 2011

| | |
|----------------------------------------------------------------------------------------------------------------------------|------------------|
| General Obligation Bonded Debt per Capita (excluding Proprietary GO/Debt, Compensated Absences, & Installment Contract) | \$ 159.82 |
| Assessed Valuation per Capita | \$ 93,145 |
| Ratio of direct G O Bonded Debt to Assessed Value (including Proprietary GO/Debt) | 0.0020 |

PIERCE COUNTY BOND RATINGS

| | General Obligation | Sewer Revenue (Uninsured) |
|---------------------|-----------------------|------------------------------|
| Moody's | Aa-2 | Aa-3 |
| Standard and Poor's | AA- | AA |

Pierce County has historically maintained consistently low bonded debt obligations, as shown in the tables below. The Net Bonded Debt per Capita decreased in 2011 due to the retirement of \$6.7 million of debt. The Ratio of Bonded Debt to Assessed Valuation is still well below national averages. We consequently have both a large legal margin available if needed, and an existing debt structure which does not have a major negative impact upon the annual budget.

2012 CAPITAL IMPROVEMENT PROGRAM

The Capital Improvement Program (CIP) is the operational implementation of the Capital Facilities Plan (CFP). The CFP is one of the elements of Pierce County's comprehensive plan that is required by Washington's Growth Management Act (GMA).

The GMA requires the CFP to identify public facilities that will be needed to address development expected to occur during the next six years. The CFP must identify the location and cost of the facilities and the sources of revenue that will be used to fund the facilities needed to support development. The CFP must be financially feasible; in other words, dependable revenue sources must equal or exceed anticipated costs. If the costs exceed the revenue, the County must reduce its Level of Service, reduce costs by implementing non-capital alternatives or other methods, or modify the land use element to bring development into balance with available or affordable facilities.



Other requirements of the GMA mandate forecasts of future needs for capital facilities and the use of standards for Levels of Service of facility capacity as the basis for public facilities contained in the CFP. As a result, public facilities in the CFP must be based on quantifiable, objective measures of capacity, such as traffic volume capacity per mile of road or acres of park per capita.

One of the goals of the GMA is to: "Ensure that those public facilities and services necessary to support development shall be adequate to serve the development at the time the development is available for occupancy and use . . ." In Pierce County, concurrency is required for sanitary sewer, septic and community systems, water, surface water, County roads, transit, and ferries. For these facilities, the following is required: (1) facilities serving the development to be in place at the time of development (or, for some types of facilities, that a financial commitment is made to provide the facilities within a specified period of time), and (2) such facilities have sufficient capacity to serve development without decreasing LOS below minimum standards adopted in the CFP. The GMA requires concurrency for transportation facilities. For transportation facilities, concurrent with development means "improvements or strategies are in place at the time of development, or that a financial commitment is in place to complete the improvements or strategies within six years."

GMA also requires public facilities and services to be "adequate." These public facilities and services include: streets, roads, highways, sidewalks, street and road lighting systems, traffic signals, domestic water systems, storm and sanitary sewer systems, parks and recreational facilities, schools, fire protection and suppression, law enforcement, public health, education, recreation, environmental protection, and other governmental services.

The County's development regulations, adopted July 1995, implement the plan and provide detailed regulations and procedures for implementing the requirements of the plan.

Why Plan for Capital Facilities?

The purpose of the CFP is to use sound fiscal policies to provide adequate public facilities consistent with the Land Use Element on a schedule concurrent with, or prior to, the impacts of development in order to achieve and maintain adopted standards for Level of Service, and to exceed the adopted standards, when possible.

Other Financial Information

There are at least three reasons to plan for capital facilities: (1) growth management, (2) good management, and (3) eligibility for grants and loans.

A. **Growth Management.**

1. A CFP is required by the GMA. The CFP is one of six required elements of the local government's comprehensive plan.
2. Capital facilities plans are required in a comprehensive plan to:
 - a. Provide capital facilities for land development that is envisioned or authorized by the land use element of the comprehensive plan.
 - b. Maintain the quality of life for existing and future development by establishing and maintaining standards for the Level of Service of capital facilities.
 - c. Coordinate and provide consistency among the many plans for capital improvements, including:
 - (1) Other elements of the comprehensive plan (i.e., transportation, land use and utilities elements);
 - (2) Plans and other studies of the local government;
 - (3) The plans for capital facilities of state and regional significance;
 - (4) The plans of other adjacent local governments; and
 - (5) The plans of special districts.
 - d. Ensure the timely provision of adequate facilities as required in the GMA.
 - e. Document capital projects and their financing (including projects to be financed by impact fees and real estate excise taxes that are authorized by GMA).
3. The CFP is the element that makes the rest of the comprehensive plan real. By establishing Level of Service as the basis for providing capital facilities and for achieving concurrency, the CFP determines the quality of life in the community. Funding sources identified in the CFP are assumed to be commitments by the County. If any of these commitments for concurrency-related improvements cannot be fulfilled, the County must make adjustments in the land use plan, find non-capital alternatives or use other methods to meet the need, or modify the Level of Service standard. In this way, the CFP can affect the size and configuration of an urban growth area.

B. **Good Management.** Planning for major capital facilities and their costs enables Pierce County to:

1. Demonstrate the need for facilities and the need for revenues to pay for them;
2. Estimate eventual operation and maintenance costs of new capital facilities that will impact the annual budget;
3. Take advantage of sources of revenue (i.e., grants, impact fees, real estate excise taxes) that require a CFP in order to qualify for the revenue; and
4. Get better ratings on bond issues when the County borrows money for capital facilities (thus reducing interest rates and the cost of borrowing money).

C. **Prioritizing Employment Centers.** Creating a jobs-based economy for Pierce County is one of the major goals of this Comprehensive Plan. Policies in the Economic Development and Land Use Elements direct the Capital Facilities Element to give priority to providing public facilities and services to locations identified as designated Employment Centers. The Employment-Based Planned Community land use designation includes suitable areas for commercial/industrial acreage; however, the provision of public facilities and services to these areas is the responsibility of the developer of the project site.

Other Financial Information

Employment Centers are identified in the Economic Development Element of the Comprehensive Plan. See the Generalized Proposed Land Use Map in the Land Use Element for their location. Changes to the list and locations of Employment-Based Planned Communities and Employment Centers are based upon amendments to the Comprehensive Plan and annexation or incorporation.

D. **Phasing of Urban Growth.** The Countywide Planning Policies for Phasing of Development within the Urban Growth Area call for the County and each municipality to seek to direct growth as follows:

1. first to centers and urbanized areas with existing infrastructure capacity;
2. second to areas that are already urbanized such that infrastructure improvements can be easily extended; and
3. last to areas requiring major infrastructure improvements.

In addition, the Countywide Planning Policies provide directions regarding provision of infrastructure as follows:

1. Capital facilities plans shall identify existing, planned, and future infrastructure needs within Urban Growth Areas.
2. The County and each municipality in the County should identify appropriate levels of service and concurrency standards that address schools, sewer, water, and parks.
3. The County and each municipality in the County shall identify appropriate levels of service and concurrency standards that address roads.

E. **Eligibility for Grants and Loans.** The State of Washington Department of Commerce's Public Works Trust Fund requires that local governments have some type of CFP in order to be eligible for loans. Some other grants and loans have similar requirements, or give preference to governments that have a CFP.

RECURRING AND NON-RECURRING CAPITAL IMPROVEMENTS

Recurring capital improvements are non-major repairs and maintenance, and minor upgrades. Pursuant to the Washington Budgeting, Accounting and Reporting System (BARS), these expenditures are generally coded in object 35 (minor equipment) or object 48 (repairs and maintenance). These expenditures are excluded from the Capital Facilities Plan.

A "non-recurring capital improvement" for the CFP expenditure must be for the acquisition of a physical asset which has a useful life of at least ten years. Excluded from the definition are such items as vehicles, office and data processing equipment, other equipment items (unless they are an integral part of the larger physical improvement), and normal repairs and maintenance. Also, projects with a total expenditure of less than \$150,000 are excluded from the CFP but are included here in order to maintain consistency with the adopted budget. Projects funded by Real Estate Excise Tax (REET) or the General Fund are usually budgeted and managed by the Facilities Management Department.

PROCESS

The Plan is updated annually to reflect a new six-year timeframe, current population projections, and changes to proposed capital improvement projects. In 2009, the schedule for adopting amendments to the CFP was adjusted to improve coordination between the CFP and preparation of the annual budget. The County uses population estimates prepared annually by the State's Office of Financial Management (OFM) and extrapolated (straight line) for out years.

The Capital Improvement Program in this budget document sets the first year based on the Council authorized capital program expenditures. The subsequent four years are rolled forward from the last

Other Financial Information

adopted Capital Facilities Plan and may be changed in the next plan. The CFP process also adds the sixth year of the plan.

The CFP projects are prepared and submitted by the departments. The Budget and Finance and the Planning and Land Services Departments coordinate preparation and publication of the plan. The County Executive approves the draft plan and forwards it to the Planning Commission. The Planning Commission reviews the draft, holds hearings in which some departments may be asked to provide additional explanation and detail, and then forwards the plan to the County Council with recommendations. After Committee hearings, the County Council adopts the CFP by resolution.

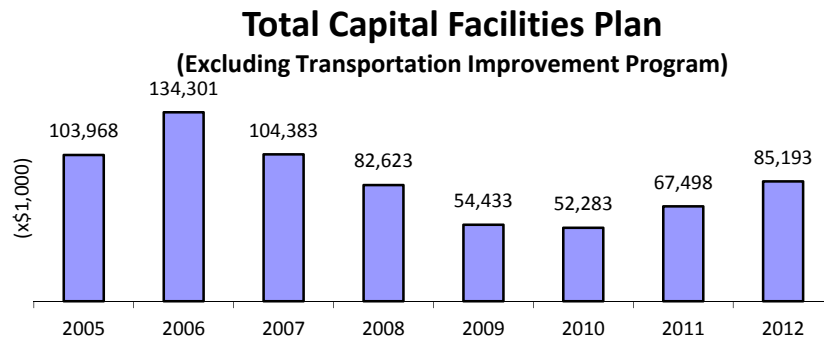
PRIORITIZATION

The County Executive and County Council establish policies and priorities to meet service and public policy goals. Generally, preservation and maintenance of existing, essential public facilities are the highest priority followed by upgrades and expansion to meet Level of Service and concurrency goals. Some projects must be undertaken to meet external mandates (such as National Pollutant Discharge Elimination System-NPDES) or to take advantage of grant opportunities. Each applicable department prepares six year (14 in the case of the Ferry System) project plans and budgets to meet these goals. The Executive, Council, and departments are also guided by specific master plans such as the Park Recreation Open Space Plan, and other long range and community plans. Since current and anticipated revenues almost always fall short, many projects do not make the funding cut. However, these unfunded projects are listed in the complete CFP in order to inform future deliberations.

CAPITAL IMPROVEMENT PROGRAM SUMMARY

This budget book contains summary capital improvement information. The complete Capital Facilities Plan and detailed CIPs are available at:

http://www.co.pierce.wa.us/cfapps/council/iview/proposal.cfm?proposal_num=2011-41s2.



During the last seven years 2006 was the high point. During that year there were significant increases for Courts/City-County Building remodel, Human Services building renovation, river improvement, and sanitary sewer construction.

Other Financial Information

The following departments have capital expenditures for budgeted for 2012 through 2016.

| CAPITAL IMPROVEMENT PROJECT SUMMARY | | | | | |
|--------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 |
| Airports | \$ 5,296,000 | \$ 615,000 | \$ 7,301,000 | \$ 580,000 | \$ 1,100,000 |
| District Court | — | 5,400,000 | — | — | — |
| Ferry System | 1,040,000 | 1,000 | — | — | — |
| General Admin Buildings | 1,050,290 | 200,000 | 200,000 | 200,000 | 200,000 |
| Juvenile Detention | 420,000 | — | — | — | — |
| Parks and Recreation | 3,141,400 | 1,300,000 | 1,300,000 | 300,000 | 300,000 |
| Roads Bldgs & Facilities | 2,010,000 | 18,465,800 | 5,000,000 | — | — |
| Sewer Utility | 59,386,900 | 83,845,200 | 107,559,500 | 106,197,600 | 17,996,100 |
| Solid Waste | 1,270,000 | 1,634,000 | — | — | — |
| Surface Water & River | 11,578,100 | 9,718,000 | 6,295,000 | 5,100,000 | — |
| Total | \$ 85,192,690 | \$121,179,000 | \$127,655,500 | \$112,377,600 | \$ 19,596,100 |

2012 CAPITAL IMPROVEMENT PROJECTS SOURCES OF FUNDS

The sources of funds for capital improvement projects have been grouped into five major categories:

Taxes/Fees - This source of revenue includes non-dedicated taxes and fees such as sales tax, property tax, court fines, licenses, and permits. This category also includes dedicated taxes and fees such as park impact fees, park sales tax, and gas taxes.

Service Fees - These fees are for specific services provided. Examples are E 911, golf course fees, sewer fees, and surface water management fees.

Grants & Contributions - This source of revenue includes federal, state, and city contributions for specific projects or purposes. Examples include road funds, parks donations and grants, mental health and human services grants, and the City of Tacoma portion of the County-City Building.

Bonds - This is interest bearing debt issued by the County.

Intergovernmental Loans (none in 2012). This category is used for loans from one department to another, or from a tax/fees fund to a user fee (enterprise) fund.

| CAPITAL IMPROVEMENT SOURCE OF FUNDS | | | | | |
|--------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 |
| Taxes/Fees | \$ 7,088,990 | \$ 31,429,300 | \$ 13,015,000 | \$ 500,000 | \$ 500,000 |
| Service Fees | 13,019,200 | 5,772,000 | 5,349,500 | 13,960,500 | 13,441,100 |
| Grants & Contributions | 13,714,600 | 1,698,200 | 3,412,700 | 468,000 | 975,000 |
| Bonds | 51,369,900 | 82,279,500 | 105,878,300 | 97,449,100 | 4,680,000 |
| Intergov't Loans | — | — | — | — | — |
| Total | \$ 85,192,690 | \$121,179,000 | \$127,655,500 | \$112,377,600 | \$ 19,596,100 |

2012 IMPACT ON THE OPERATING BUDGET

Each subsection provides a forecast of the future maintenance and operating costs of capital improvements projects. The impacts of each project are presumed to begin in the year after the year in which the project is completed. Since it is not possible to forecast the completion date of each project,

Other Financial Information

no attempt has been made to identify impacts for any portion of the year in which the project is completed.

The forecast of operating impacts is included because the substantial cost impacts of some facilities may be a factor in the County's decision to construct the project. No "financing plan" is offered for the operating costs, and the County will be obliged to find revenue to pay for such costs. Some of the revenue may come from increases to the tax base that accompanies the new development that created the need for the capital facility. There is no assurance, however, that the increased tax revenue from new development will be sufficient to pay for the cost of operating the new facilities.

The operating impact costs reflect the amount by which each future year's operating budget will increase compared to the current operating budget. The same project is shown to have the same annual impact on each succeeding year's operating budget. Sometimes, the completion of a capital improvement project will result in savings in operating costs, rather than incur new costs. In other instances, such as maintenance, renovation or repair projects, there will be no impact on operating costs. In these cases, zeroes are entered. **For some projects the operating impact of the capital improvement projects cannot be calculated because of too many unknown factors such as final configuration and type of facility, realignment of staffing, or the amount of shared infrastructure with current facilities. The departments in the table below have are those that are able to estimate impacts at this time.**

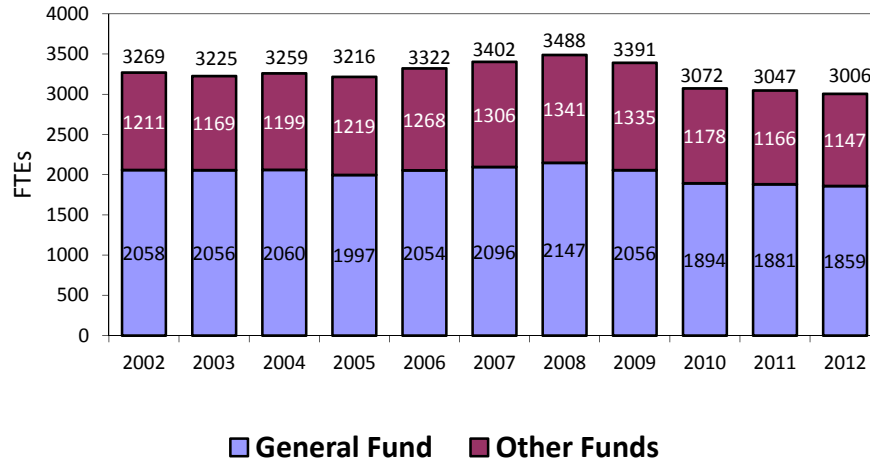
CAPITAL IMPROVEMENT IMPACT ON THE OPERATING BUDGET

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Airports | \$ — | \$ 54,000 | \$ 67,200 | \$ 199,200 | \$ 205,200 |
| Parks and Recreation | 228,800 | 236,500 | 243,200 | 250,400 | 258,000 |
| Total | \$ 228,800 | \$ 290,500 | \$ 310,400 | \$ 449,600 | \$ 463,200 |

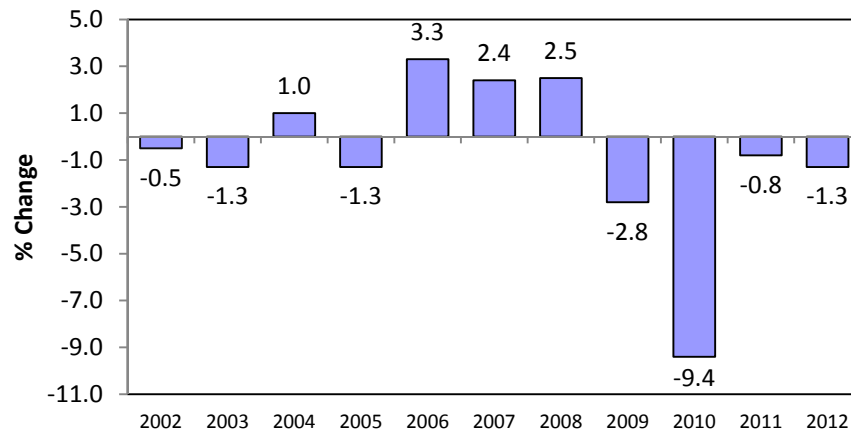
STAFFING INFORMATION

As the population of Pierce County has increased, the demand for county services has risen correspondingly. General Fund staffing (authorized positions) has decreased by 199 FTEs (9.7%) since 2002 while staffing in all other funds (special revenue, enterprise, and internal services) has decreased by 64 FTEs (5.3%). Overall, 263 FTEs have been reduced since 2002, a decrease of 8%. More recently however, General Fund positions have decreased by 288 FTE's (13.4%) since 2008 and overall the County has seen a reduction of 482 FTE's or 13.8% in the last five years.

County-wide Staffing Summary



Percent Change in County-wide Staffing



The percentage changes in 2002-2005 reflect either only a small increase or an actual decrease due to the following factors:

- a) The PSBH staff count subsequently declined over these years to 98 positions in 2005 as service responsibilities were restructured or eliminated;
- b) State law (1% property tax limitation) resulted in far less revenue being available to fund new positions or even to support existing positions; and
- c) The Sheriff's contract with the City of Lakewood for police services was terminated at the end of 2004, which resulted in a loss of 103 positions in the Sheriff's Department in 2005.

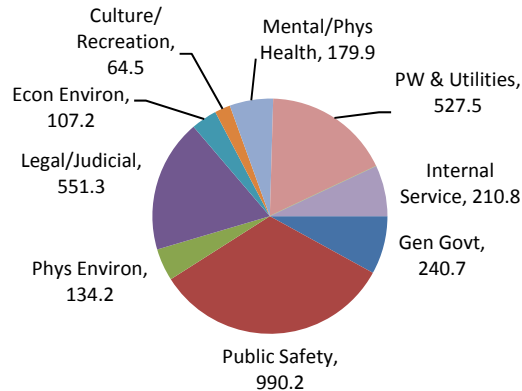
Other Financial Information

The 2006-2008 Budgets again reflect new positions throughout the County to enhance service levels, including staff in PALS, Sheriff, Corrections, Prosecuting Attorney, Assigned Counsel, Superior Court, Juvenile, Human Resources, Medical Examiner, Clerk, Emergency Management, Economic Development, Parks and Recreation, Public Works and Utilities, and the Auditor's Office for animal control and election services.

However, a significant decline in revenues resulted in staffing reductions in 2009, 2010, and 2011, and further proposed staffing reductions in 2012. The 2010 staffing cuts include 154 FTE reductions as a result from the termination of the state contract with the County for Mental Health services.

2012 Total County Staffing

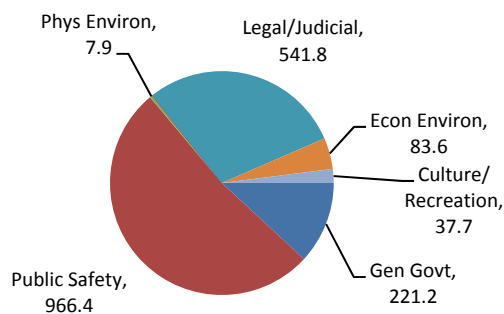
Summarized by Function



The Public Safety and Legal/Judicial systems combined accounts for just roughly 51% of the total County staff, with the Mental and Physical Health system at just under 6%. Roughly 22% of the total staff provides PW & Utilities, and the Physical Environment services. Just over 2% of the total staff is related to Culture and Recreation. Just under 4% are involved in Economic Environment activity and roughly 15% staffing provide general government functions (including internal service funds).

2012 General Fund Staffing

Summarized by Function



The Public Safety and Legal/Judicial systems combined accounts for roughly 81% of all General Fund staff. Just under 12% provide General Governmental services. Roughly 5% of the General Fund staff support Economic Environment activities and roughly 2% are involved in Culture and Recreation, and Physical Environment activities.

The table on the following two pages contains detailed staffing information.

Other Financial Information

STAFFING SUMMARY

| | 2002 FTE | 2006 FTE | 2007 FTE | 2008 FTE | 2009 FTE | 2010 FTE | 2011 FTE | 2012 FTE | Change from 2002 |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------------|
| General Fund: | | | | | | | | | |
| Assessor/Treasurer | 98.30 | 91.80 | 91.30 | 90.60 | 86.35 | 76.70 | 76.70 | 76.70 | (21.60) |
| Assigned Counsel | 83.20 | 93.20 | 96.60 | 101.10 | 99.10 | 92.50 | 92.30 | 91.30 | 8.10 |
| Auditor | 43.00 | 51.00 | 54.00 | 53.30 | 50.30 | 50.05 | 42.55 | 43.80 | .80 |
| Budget & Finance | 43.45 | 44.15 | 44.95 | 45.00 | 41.00 | 38.17 | 38.37 | 37.37 | (6.08) |
| Clerk of the Superior Court | 53.50 | 57.50 | 57.50 | 56.50 | 53.50 | 49.50 | 50.00 | 48.00 | (5.50) |
| Communications | 5.00 | 4.00 | 4.00 | 4.00 | 3.00 | 2.65 | 2.58 | 3.00 | (2.00) |
| Corrections | 393.80 | 383.10 | 395.10 | 400.10 | 393.00 | 373.40 | 380.90 | 373.90 | (19.90) |
| County Council | 29.50 | 31.00 | 31.00 | 31.00 | 28.00 | 28.00 | 27.91 | 28.60 | (0.90) |
| County Executive | 8.00 | 8.00 | 8.00 | 8.00 | 10.00 | 8.60 | 9.08 | 8.89 | .89 |
| District Court | 111.05 | 109.50 | 111.00 | 113.50 | 109.00 | 105.50 | 104.50 | 102.00 | (9.05) |
| Economic Development | 4.80 | 8.00 | 8.00 | 8.00 | 7.00 | 7.00 | 7.00 | 7.00 | 2.20 |
| Emergency Management | 22.12 | 31.00 | 32.00 | 32.00 | 31.00 | 31.00 | 29.00 | 29.00 | 6.88 |
| Human Resources | 24.60 | 28.60 | 29.60 | 31.10 | 24.17 | 20.75 | 20.80 | 21.30 | (3.30) |
| Juvenile | 179.12 | 174.82 | 175.82 | 195.82 | 191.82 | 181.57 | 170.82 | 159.76 | (19.36) |
| Medical Examiner | 14.00 | 15.00 | 15.50 | 15.50 | 15.00 | 15.00 | 15.50 | 16.00 | 2.00 |
| Parks & Recreation Services | 50.63 | 39.41 | 40.41 | 41.05 | 38.90 | 35.28 | 35.60 | 37.70 | (12.93) |
| Planning & Land Services | 124.50 | 164.32 | 171.32 | 173.20 | 134.80 | 89.60 | 82.60 | 76.10 | (48.40) |
| Prevention Services & Programs | .41 | - | - | - | - | - | .18 | .56 | .15 |
| Prosecuting Attorney | 231.72 | 230.70 | 231.70 | 233.20 | 234.70 | 221.70 | 217.70 | 217.70 | (14.02) |
| Public Defense Conflict Office | - | 4.00 | 4.00 | 5.00 | 5.60 | - | - | - | - |
| Sheriff | 434.00 | 374.00 | 381.00 | 394.00 | 389.00 | 361.00 | 372.50 | 375.50 | (58.50) |
| Special Projects | 10.60 | 11.75 | 12.67 | 14.30 | 11.80 | 9.95 | 7.99 | 7.00 | (3.60) |
| Superior Court | 88.88 | 95.38 | 95.38 | 96.38 | 95.38 | 96.38 | 96.38 | 97.38 | 8.50 |
| WSU PC Extension | 3.60 | 3.60 | 4.60 | 4.60 | 3.57 | - | - | - | (3.60) |
| Total General Fund | 2,057.78 | 2,053.83 | 2,095.45 | 2,147.25 | 2,055.99 | 1,894.30 | 1,880.96 | 1,858.56 | (199.22) |
| Special Revenue Funds: | | | | | | | | | |
| Arts & Cultural Services Fund | 1.64 | 1.59 | 1.44 | .69 | .30 | .50 | .05 | .10 | (1.54) |
| Auditor's Maint & Operation Fund | .50 | 2.50 | 2.00 | 5.70 | 7.20 | 7.20 | 5.70 | 5.70 | 5.20 |
| Community Action Fund | 52.21 | 49.77 | 46.95 | 48.32 | 51.89 | 50.13 | 50.65 | 49.91 | (2.30) |
| Community Development Fund | 10.22 | 11.31 | 11.31 | 11.06 | 11.45 | 10.80 | 9.60 | 5.69 | (4.53) |
| Low Income Housing Fee Fund | - | - | - | - | - | - | - | .08 | .08 |
| Community Connections | 202.11 | 278.41 | 320.06 | 149.99 | 145.49 | 142.65 | 140.59 | 126.96 | (75.15) |
| Conservation Futures Fund | 1.00 | 1.00 | 3.00 | 3.00 | 3.15 | 4.15 | 4.15 | 4.37 | 3.37 |
| County Road Fund | 327.03 | 344.98 | 366.19 | 370.44 | 371.90 | 345.44 | 336.05 | 333.61 | 6.58 |
| Criminal Justice Fund | 1.00 | 3.00 | 4.00 | 4.00 | 3.00 | 5.00 | 2.00 | 2.00 | 1.00 |
| Detention Ctr Commissary Fund | 2.40 | 1.00 | 1.00 | 1.00 | 1.00 | 2.00 | 3.00 | 3.00 | .60 |
| Drug Investigation Fund | - | 7.00 | 7.00 | 7.00 | 6.00 | 2.00 | - | - | - |
| Emergency Mgmt Grants Fund | 3.88 | 16.50 | 16.50 | 14.50 | 15.00 | 16.00 | 16.00 | 16.00 | 12.12 |
| Endangered Species Act Fund | .62 | - | - | - | - | - | - | - | (0.62) |
| Judson Family Justice Ctr Fund | - | 8.40 | 8.50 | 8.70 | 9.70 | 8.40 | 9.40 | 8.50 | 8.50 |
| Geographical Info Services Fund | 18.00 | 19.00 | 20.00 | 23.00 | 23.00 | 20.00 | 20.00 | 20.00 | 2.00 |
| Homeless Housing Fund | - | 2.00 | 2.00 | 4.25 | 4.25 | 5.00 | 6.97 | 4.84 | 4.84 |
| Housing Repair Program Fund | 11.50 | 12.00 | 11.00 | 11.00 | 10.86 | 10.01 | 10.41 | 12.45 | .95 |

Other Financial Information

| STAFFING SUMMARY | | | | | | | | | |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------------------|
| | 2002 FTE | 2006 FTE | 2007 FTE | 2008 FTE | 2009 FTE | 2010 FTE | 2011 FTE | 2012 FTE | Change from 2002 |
| Mental Health Fund | - | - | - | 161.91 | 153.61 | - | - | - | - |
| Park Impact Fees Fund | - | .05 | .05 | .05 | .05 | .05 | .05 | .05 | .05 |
| Parks Sales Tax Fund | - | 6.15 | 7.15 | 6.31 | 5.85 | 6.25 | 6.85 | 7.25 | 7.25 |
| Paths and Trails Fund | 1.52 | 2.21 | 2.21 | 2.41 | 2.87 | 2.64 | 1.95 | 2.15 | .63 |
| Peninsula Recreation Prgm Fund | 1.00 | - | - | - | - | - | - | - | (1.00) |
| Puget Sound Behavioral Hlth Fd | 170.05 | 41.05 | - | - | - | - | - | - | (170.05) |
| Rainier Communications Comm Fd | 6.00 | 7.00 | 7.00 | 8.00 | 7.00 | 7.35 | 7.44 | 7.00 | 1.00 |
| REET River Fund | 1.79 | 1.39 | 1.51 | 1.51 | 1.51 | 1.51 | 1.11 | 1.11 | (0.68) |
| Second REET Parks Fund | - | 1.20 | 1.20 | 1.20 | 1.20 | 1.75 | .95 | .95 | .95 |
| Surface Water Mgmt Fund | 46.11 | 60.29 | 62.00 | 73.50 | 67.70 | 94.45 | 100.68 | 100.81 | 54.70 |
| Tourism, Promotion & Cap Fac Fd | .10 | - | - | - | - | - | .08 | .31 | .21 |
| Veterans' Relief Fund | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | - |
| 911 System Fund | 4.78 | 4.00 | 4.46 | 4.46 | 4.46 | 4.46 | 4.46 | 4.46 | (0.32) |
| Total Special Revenue Funds | 866.46 | 884.80 | 909.53 | 925.00 | 911.44 | 750.74 | 741.14 | 720.30 | (146.16) |
| Capital Projects: | | | | | | | | | |
| Admin Bldg & Facilities Fund | .16 | - | - | - | - | - | - | - | (0.16) |
| Permanent Jail Construction Fund | 4.90 | .09 | - | 1.05 | 2.95 | 2.70 | .79 | - | (4.90) |
| REET Capital Improvement Fund | 2.69 | 3.98 | 4.65 | 5.35 | 3.95 | 5.10 | 7.81 | 7.26 | 4.57 |
| 1% for Arts Construction Fund | .15 | .60 | .75 | .50 | .50 | .50 | .50 | .25 | .10 |
| 2501 Corporate Express Bldg Fd | - | 1.39 | 1.80 | 1.15 | - | - | - | - | - |
| Transportation Facilities Fund | - | 1.00 | 1.00 | - | - | - | - | - | - |
| Total Capital Projects | 7.90 | 7.06 | 8.20 | 8.05 | 7.40 | 8.30 | 9.10 | 7.51 | (0.39) |
| Enterprise Funds: | | | | | | | | | |
| Airport Fund | 1.60 | 2.63 | 2.62 | 2.77 | 4.77 | 6.27 | 6.39 | 5.69 | 4.09 |
| Chambers Creek Regional Park | - | .75 | .50 | .20 | .50 | .61 | .52 | 7.40 | 7.40 |
| Golf Courses Fund | 8.45 | 8.53 | 9.53 | 9.53 | 9.03 | 9.03 | 7.90 | 7.80 | (0.65) |
| PC Ferry Services Fund | 1.32 | 2.80 | 2.62 | 2.62 | 2.92 | 4.13 | 3.38 | 2.29 | .97 |
| Sewer Utility Fund | 104.66 | 126.38 | 135.09 | 144.39 | 149.09 | 160.98 | 164.72 | 162.63 | 57.97 |
| Solid Waste Mgmt Fund | 13.71 | 16.11 | 15.68 | 18.68 | 18.72 | 22.62 | 22.16 | 22.21 | 8.50 |
| Water Utility Fund | .30 | .01 | .10 | .10 | 1.10 | 1.10 | 1.10 | 1.10 | .80 |
| Total Enterprise Funds | 130.04 | 157.21 | 166.14 | 178.29 | 186.13 | 204.74 | 206.17 | 209.12 | 79.08 |
| Internal Serv Funds: | | | | | | | | | |
| Equipment Rental & Revolving Fd | 24.43 | 24.27 | 24.30 | 26.30 | 27.30 | 27.30 | 26.32 | 26.28 | 1.85 |
| Facilities Management Fund | 44.62 | 52.66 | 52.88 | 53.75 | 56.30 | 48.25 | 47.45 | 49.04 | 4.42 |
| Fleet Rental Fund | 3.15 | 3.45 | 3.45 | 3.40 | 3.40 | 3.40 | 3.40 | 3.40 | .25 |
| General Services Fund | 8.20 | 8.20 | 8.80 | 8.80 | 8.80 | 7.80 | 6.80 | 7.80 | (0.40) |
| Information Technology Fund | 108.00 | 114.50 | 115.50 | 118.50 | 115.50 | 107.50 | 106.25 | 105.00 | (3.00) |
| Radio Communication Fund | 9.10 | 7.00 | 8.54 | 9.54 | 9.54 | 9.54 | 9.54 | 9.54 | .44 |
| Self Insurance Fund | 6.30 | 6.30 | 6.30 | 6.30 | 6.38 | 7.00 | 7.15 | 7.15 | .85 |
| Workers Compensation Fund | 2.70 | 2.70 | 2.70 | 2.70 | 2.75 | 2.75 | 2.55 | 2.55 | (0.15) |
| Total Internal Serv Funds | 206.50 | 219.08 | 222.47 | 229.29 | 229.97 | 213.54 | 209.46 | 210.76 | 4.26 |
| TOTAL FUNDS | 3,268.68 | 3,321.98 | 3,401.79 | 3,487.88 | 3,390.93 | 3,071.62 | 3,046.83 | 3,006.25 | (262.43) |

Other Financial Information

DEPARTMENTAL EXPENDITURES/EXPENSES BY FUNCTION

| | 2012 Budget | 2011 Budget | Absolute Change | Percent Change |
|---------------------------------|--------------------|--------------------|--------------------|-------------------|
| General Government | | | | |
| Assessor/Treasurer | \$ 9,730,820 | \$ 9,629,100 | \$ 101,720 | 1.1 % |
| Auditor | 7,541,430 | 7,378,600 | 162,830 | 2.2 |
| Auditor'S Maint & Oper Fund | 815,130 | 1,346,000 | (530,870) | (39.4) |
| Bond Debt Service | 420,490 | 420,490 | — | — |
| Budget & Finance | 5,084,930 | 5,009,960 | 74,970 | 1.5 |
| Communications | 647,400 | 571,270 | 76,130 | 13.3 |
| County Council | 3,955,220 | 3,913,970 | 41,250 | 1.1 |
| County Executive | 1,419,930 | 1,380,550 | 39,380 | 2.9 |
| Employee Assistance Program Fd | 71,120 | 72,080 | (960) | (1.3) |
| Human Resources | 3,326,740 | 3,225,840 | 100,900 | 3.1 |
| Miscellaneous Current Expense | 1,101,240 | 1,084,500 | 16,740 | 1.5 |
| Rainier Communicatn Commiss Fd | 1,743,620 | 2,013,570 | (269,950) | (13.4) |
| REET Capital Improvement Fund | 1,744,920 | 2,366,810 | (621,890) | (26.3) |
| REET Electronic Technology Fd | 167,290 | 210,480 | (43,190) | (20.5) |
| Special Projects | 1,145,590 | 1,271,690 | (126,100) | (9.9) |
| State Auditor | 188,890 | 182,110 | 6,780 | 3.7 |
| Total General Government | 39,104,760 | 40,077,020 | (972,260) | (2.4) |
| Public Safety | | | | |
| Annex West Building | 2,230 | 6,240 | (4,010) | (64.3) |
| Clear Zone Land Acquisition | 85,720 | 2,096,070 | (2,010,350) | (95.9) |
| Corrections Bureau | 51,464,960 | 50,757,170 | 707,790 | 1.4 |
| Criminal Justice Fund | 498,360 | 1,473,970 | (975,610) | (66.2) |
| Detention Center Commissary Fd | 1,093,010 | 1,238,010 | (145,000) | (11.7) |
| District Court | 4,193,040 | 3,692,390 | 500,650 | 13.6 |
| Drug Investigation Fund | 651,020 | 603,460 | 47,560 | 7.9 |
| Emergency Management | 3,397,030 | 3,307,700 | 89,330 | 2.7 |
| Emergency Managemt Grants Fd | 4,339,970 | 9,156,900 | (4,816,930) | (52.6) |
| Juvenile | 16,208,510 | 16,502,499 | (293,989) | (1.8) |
| Marine Services Fund | 146,080 | 152,620 | (6,540) | (4.3) |
| Medical Examiner | 2,378,420 | 2,310,960 | 67,460 | 2.9 |
| Miscellaneous Current Expense | 564,920 | 524,200 | 40,720 | 7.8 |
| Permanent Jail Construction Fd | 271,670 | 3,006,620 | (2,734,950) | (91.0) |
| Prevention Services & Programs | 1,524,700 | 1,475,000 | 49,700 | 3.4 |
| REET Capital Improvement Fund | 2,056,480 | 1,233,300 | 823,180 | 66.7 |
| Sheriff | 61,380,140 | 61,121,350 | 258,790 | 0.4 |
| Special Projects | 56,950 | 59,450 | (2,500) | (4.2) |
| 911 System Fund | 9,825,060 | 9,350,400 | 474,660 | 5.1 |
| Total Public Safety | 160,138,270 | 168,068,309 | (7,930,039) | (4.7) |
| Physical Environment | | | | |
| Auditor | 1,497,870 | 1,435,610 | 62,260 | 4.3 |
| Conservation Futures Fund | 5,000,830 | 7,726,200 | (2,725,370) | (35.3) |
| Endangered Species Act Fund | — | 89,970 | (89,970) | (100.0) |
| Federal Forest Services Fund | 42,340 | 41,390 | 950 | 2.3 |
| GIS Fund | 3,541,940 | 4,164,880 | (622,940) | (15.0) |
| Miscellaneous Current Expense | 175,200 | 178,090 | (2,890) | (1.6) |

(Table continued on the following page)

Other Financial Information

| DEPARTMENTAL EXPENDITURES/EXPENSES BY FUNCTION | | | | |
|-------------------------------------------------------|------------------------|------------------------|----------------------------|---------------------------|
| | 2012 Budget | 2011 Budget | Absolute Change | Percent Change |
| REET River Improvement Fund | 7,883,820 | 7,684,530 | 199,290 | 2.6 |
| Special Projects | 117,920 | 110,400 | 7,520 | 6.8 |
| Surface Water Management Fund | 24,738,600 | 25,472,650 | (734,050) | (2.9) |
| Total Physical Environment | 42,998,520 | 46,903,720 | (3,905,200) | (8.3) |
| Legal & Judicial | | | | |
| Assigned Counsel | 16,057,120 | 15,601,710 | 455,410 | 2.9 |
| Capital Improvement Projects | 50,000 | 50,000 | — | — |
| Clerk | 5,103,950 | 5,017,390 | 86,560 | 1.7 |
| Criminal Justice Fund | 223,140 | 195,070 | 28,070 | 14.4 |
| Dispute Resolution Center Fund | 140,800 | 145,000 | (4,200) | (2.9) |
| District Court | 8,104,630 | 8,351,650 | (247,020) | (3.0) |
| Judson Family Justice Ctr Fd | 1,463,820 | 1,473,097 | (9,277) | (0.6) |
| Juvenile | 3,139,420 | 3,162,330 | (22,910) | (0.7) |
| Miscellaneous Current Expense | 370,490 | 362,800 | 7,690 | 2.1 |
| Prosecuting Attorney | 27,073,670 | 26,659,796 | 413,874 | 1.6 |
| REET Capital Improvement Fund | — | 2,348,420 | (2,348,420) | (100.0) |
| Superior Court | 14,110,370 | 14,319,785 | (209,415) | (1.5) |
| Total Legal & Judicial | \$ 75,837,410 | \$ 77,687,048 | \$ (1,849,638) | (2.4) % |
| Economic Environment | | | | |
| Community Development Fund | 3,905,840 | 3,925,883 | (20,043) | (0.5) |
| Economic Development | 1,093,710 | 1,075,940 | 17,770 | 1.7 |
| Homeless Housing Program Fund | 8,306,200 | 4,386,390 | 3,919,810 | 89.4 |
| Housing Repair Programs Fund | 7,135,170 | 6,821,250 | 313,920 | 4.6 |
| Low Income Housing Fee Fund | 1,840,810 | 1,690,840 | 149,970 | 8.9 |
| Miscellaneous Current Expense | 15,000 | 5,000 | 10,000 | 200.0 |
| Planning And Land Services | 10,824,740 | 11,106,580 | (281,840) | (2.5) |
| REET Capital Improvement Fund | 29,170 | 818,850 | (789,680) | (96.4) |
| Special Projects | 363,470 | 292,270 | 71,200 | 24.4 |
| Total Economic Environment | 33,514,110 | 30,123,003 | 3,391,107 | 11.3 |
| Mental/Physical Health | | | | |
| Community Action Fund | 7,946,190 | 10,763,166 | (2,816,976) | (26.2) |
| Community Connections (Hs) | 31,311,870 | 36,560,350 | (5,248,480) | (14.4) |
| Health Department | 33,879,751 | 35,256,332 | (1,376,581) | (3.9) |
| Health Services | 2,613,070 | 2,613,070 | — | — |
| Human Services Construction Fd | 1,130 | 3,370 | (2,240) | (66.5) |
| Mental Health Fund | — | 334,460 | (334,460) | (100.0) |
| Miscellaneous Current Expense | 514,500 | 484,500 | 30,000 | 6.2 |
| REET Capital Improvement Fund | 150,000 | — | 150,000 | ∞ |
| Veterans Relief Fund | 910,950 | 899,410 | 11,540 | 1.3 |
| Total Mental/Physical Health | 77,327,461 | 86,914,658 | (9,587,197) | (11.0) |
| Cultural & Recreation | | | | |
| Arts And Cultural Services Fd | 35,000 | 35,000 | — | — |
| Chambers Creek Regional Park | 9,331,690 | 6,944,660 | 2,387,030 | 34.4 |
| Golf Courses Fund | 1,861,000 | 1,897,720 | (36,720) | (1.9) |
| Miscellaneous Current Expense | 45,000 | 45,000 | — | — |

(Table continued on following page)

Other Financial Information

| DEPARTMENTAL EXPENDITURES/EXPENSES BY FUNCTION | | | | |
|-------------------------------------------------------|------------------------|------------------------|----------------------------|---------------------------|
| | 2012 Budget | 2011 Budget | Absolute Change | Percent Change |
| Parks And Recreation Services | 6,184,620 | 6,418,080 | (233,460) | (3.6) |
| Parks Construction Fund | 1,592,000 | 1,220,250 | 371,750 | 30.5 |
| Parks Impact Fee Fund | 325,060 | 325,020 | 40 | 0.0 |
| Parks Sales Tax Fund | 3,119,040 | 2,954,990 | 164,050 | 5.6 |
| Paths And Trails Fund | 1,619,940 | 1,487,480 | 132,460 | 8.9 |
| Pierce County Fair Fund | 172,220 | 188,400 | (16,180) | (8.6) |
| REET Capital Improvement Fund | — | 6,500,000 | (6,500,000) | (100.0) |
| Second REET Parks Fund | 893,340 | 773,000 | 120,340 | 15.6 |
| Special Projects | — | 12,000 | (12,000) | (100.0) |
| Tourism Promotion Area Fund | 1,211,120 | 1,315,560 | (104,440) | (7.9) |
| Tourism, Promotion, Facil Fund | 1,368,490 | 1,883,860 | (515,370) | (27.4) |
| WSU PC Extension | 355,610 | 286,750 | 68,860 | 24.0 |
| 1% For Arts Construction Fd | 214,600 | 341,670 | (127,070) | (37.2) |
| Total Cultural & Recreation | 28,328,730 | 32,629,440 | (4,300,710) | (13.2) |
| Debt Service | | | | |
| Ltd Tax GO Bond Redemption Fd | 12,730,890 | 12,726,410 | 4,480 | — |
| Total Debt Service | 12,730,890 | 12,726,410 | 4,480 | — |
| Public Works & Utilities | | | | |
| Airports | 7,034,070 | 7,174,400 | (140,330) | (2.0) |
| County Road Fund | 67,009,000 | 61,717,460 | 5,291,540 | 8.6 |
| Ferry Services Fund | 6,638,310 | 4,612,150 | 2,026,160 | 43.9 |
| Miscellaneous Current Expense | 110,000 | — | 110,000 | ∞ |
| Public Works Construction Fund | 26,209,000 | 35,902,000 | (9,693,000) | (27.0) |
| REET Capital Improvement Fund | — | 120,210 | (120,210) | (100.0) |
| Second REET Roads Fund | 3,841,580 | 5,855,500 | (2,013,920) | (34.4) |
| Sewer Bond Funds | 5,341,060 | 4,649,130 | 691,930 | 14.9 |
| Sewer Facil Restrict Reserve Fd | 1,814,000 | 1,314,560 | 499,440 | 38.0 |
| Sewer Utility Const Funds | 59,386,920 | 38,650,700 | 20,736,220 | 53.7 |
| Sewer Utility Fund | 47,050,300 | 45,289,820 | 1,760,480 | 3.9 |
| Solid Waste Mgmt Fund | 6,741,340 | 6,714,150 | 27,190 | 0.4 |
| Traffic Impact Fee Fund | 3,863,290 | 4,337,870 | (474,580) | (10.9) |
| Transportation Facilities Fund | 2,162,000 | 752,000 | 1,410,000 | 187.5 |
| Water Utility Fund | 310,010 | 326,360 | (16,350) | (5.0) |
| Total Public Works & Utilities | 237,510,880 | 217,416,310 | 20,094,570 | 9.2 |
| Internal Service | | | | |
| Equipment Services Division Fd | 17,251,680 | 16,702,700 | 548,980 | 3.3 |
| Facilities Management Fund | 13,436,410 | 12,309,350 | 1,127,060 | 9.2 |
| Fleet Rental Fund | 4,692,510 | 4,787,150 | (94,640) | (2.0) |
| General Services Fund | 2,974,500 | 3,006,820 | (32,320) | (1.1) |
| Information Technology Fund | 20,557,180 | 19,462,180 | 1,095,000 | 5.6 |
| Medical Self Insurance Fund | 16,311,400 | 15,012,000 | 1,299,400 | 8.7 |
| Radio Communications Fund | 4,548,320 | 4,359,300 | 189,020 | 4.3 |
| Self Insurance Fund | 8,575,750 | 8,751,870 | (176,120) | (2.0) |
| Workers Compensation Fund | 6,061,250 | 5,052,930 | 1,008,320 | 20.0 |
| Total Internal Service | 94,409,000 | 89,444,300 | 4,964,700 | 5.6 |
| County Fund Total | \$ 801,900,031 | \$ 801,990,218 | \$ (90,187) | (0.0) % |

Other Financial Information

ALL FUNDS COMPARISON OF 2012 REVENUES AND EXPENDITURES

| | General Fund | Special Revenue Funds | Debt Service Funds | Capital Project Funds | Enterprise Funds | Internal Service Funds | Tacoma/ Pierce County Health Dept | Total All Fund Types |
|------------------------------------------|-----------------------|-----------------------|----------------------|-----------------------|-----------------------|------------------------|-----------------------------------|-----------------------|
| Revenues/Other Financing Sources: | | | | | | | | |
| Charges For Services | \$ 30,876,180 | \$ 30,633,130 | \$ — | \$ — | \$ 60,179,900 | \$ 31,442,290 | \$ 3,407,755 | \$ 156,539,255 |
| Contributed Capital | — | — | — | — | 1,681,000 | — | — | 1,681,000 |
| Fines and Forfeitures | 5,696,710 | 10,000 | — | — | — | — | — | 5,706,710 |
| Intergovernmental Rev | 39,952,480 | 78,003,060 | — | 5,811,460 | 9,004,430 | 500,100 | 21,955,120 | 155,226,650 |
| Licenses and Permits | 8,155,490 | 53,000 | — | — | — | — | 3,852,956 | 12,061,446 |
| Other Financing Sources | 160 | 80 | — | — | 2,416,870 | — | — | 2,417,110 |
| Other Miscellaneous Rev | 8,759,770 | 5,681,220 | 12,730,890 | 16,023,000 | 14,626,870 | 51,022,600 | 2,535,352 | 111,379,702 |
| Other Taxes | 1,503,300 | 12,874,960 | — | 2,066,500 | 100,000 | — | — | 16,544,760 |
| Property Taxes | 125,130,720 | 54,399,910 | — | — | — | — | — | 179,530,630 |
| Sales Taxes | 53,351,900 | 3,154,250 | — | — | — | — | — | 56,506,150 |
| Use of Fund Balance | 225,000 | 22,391,450 | — | 10,617,960 | 57,499,630 | 11,444,010 | 2,128,568 | 104,306,618 |
| Total Revenues | \$ 273,651,710 | \$ 207,201,060 | \$ 12,730,890 | \$ 34,518,920 | \$ 145,508,700 | \$ 94,409,000 | \$ 33,879,751 | \$ 801,900,031 |
| Expenditures/Expenses: | | | | | | | | |
| Cultural & Recreation | \$ 6,585,230 | \$ 8,744,210 | \$ — | \$ 1,806,600 | \$ 11,192,690 | \$ — | \$ — | \$ 28,328,730 |
| Debt Service | — | — | 12,730,890 | — | — | — | — | 12,730,890 |
| Economic Environment | 12,296,920 | 21,188,020 | — | 29,170 | — | — | — | 33,514,110 |
| General Government | 34,562,680 | 2,797,160 | — | 1,744,920 | — | — | — | 39,104,760 |
| Internal Service | — | — | — | — | — | 94,409,000 | — | 94,409,000 |
| Legal & Judicial | 74,009,650 | 1,827,760 | — | — | — | — | — | 75,837,410 |
| Mental/Physical Health | 3,127,570 | 40,169,010 | — | 151,130 | — | — | 33,879,751 | 77,327,461 |
| Physical Environment | 1,790,990 | 41,207,530 | — | — | — | — | — | 42,998,520 |
| Public Safety | 141,168,670 | 16,553,500 | — | 1,741,100 | — | — | — | 159,463,270 |
| Public Works & Utilities | 110,000 | 74,713,870 | — | 29,046,000 | 134,316,010 | — | — | 238,185,880 |
| Total Expenditures | \$ 273,651,710 | \$ 207,201,060 | \$ 12,730,890 | \$ 34,518,920 | \$ 145,508,700 | \$ 94,409,000 | \$ 33,879,751 | \$ 801,900,031 |

This table presents a comprehensive view of resources and services provided by fund type. The Executive Message, in the front of this document, includes significant discussion of the highlights of the various budgets within each of these fund types. The individual budget sections, found later in this document, provide additional detail as well. Refer to the Total Expenditures/Expenses summary table in the back of this section for a detailed list of the funds by fund type.

Internal Services are those services provided to ourselves, such as information technology, telecommunications, self insurance, vehicle and equipment pools, facilities maintenance, routing, and mail processing. The revenues to these Internal Service Funds are expenditures for the other funds receiving their services. Therefore, to obtain a truer net total budget for the County as a whole, we must remove the budget for the Internal Services (less fund balance and any revenues from non-county sources). The “netted” 2012 Budget for Pierce County is \$719,435,141 (total budget of \$801,900,031 less Internal Service Funds of \$94,409,000 plus \$500,100 in Intergovernmental Revenue from non-county sources and \$11,444,010 in Internal Service Funds use of fund balance).

The Governmental Accounting Standards Board (GASB) defines a Major Fund as one which is at least 10% of the fund type group and 5% of the total for all funds. The Major Funds as reported in our 2010 CAFR were the General Fund, Human Services Fund, County Road Fund, Sewer Utility and the Chambers Bay Golf Course. It is expected that these will be the same for fiscal years 2011 and 2012 (except Chambers Bay Golf Course). The General Fund is discussed in significant detail throughout this document. The other funds are described and discussed in their respective individual budget sections.