



# EXECUTIVE MESSAGE



December 7, 2011

TO: Pierce County Citizens  
FROM: Pat McCarthy, County Executive  
SUBJECT: 2012 Pierce County Budget



Enclosed is the Pierce County Budget for fiscal 2012. The budget balances expenditures and resources and supports the delivery of customer-focused, cost effective services. Like previous years proposals, the 2012 budget places a priority on public safety, economic development, and livable communities. 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 level.

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## **BUDGET SUMMARY HIGHLIGHTS**

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.

## **GENERAL FUND**

As the name implies, this is the fund that receives undesignated revenues which can be budgeted for any appropriate County purpose. This fund finances the majority of the traditional services associated with County government. Most of the budget deliberations center around this fund since it provides 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.

<b>GENERAL FUND REVENUE SUMMARY</b>				
	<b>2012 Budget</b>	<b>2011 Budget</b>	<b>Absolute Change</b>	<b>Percent Change</b>
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)
<b>Subtotal Revenues</b>	<b>\$ 273,426,710</b>	<b>\$ 270,618,670</b>	<b>\$ 2,808,040</b>	<b>1.0 %</b>
Fund Balance	225,000	788,880	(563,880)	(71.5)
<b>Total Available Resources</b>	<b>\$ 273,651,710</b>	<b>\$ 271,407,550</b>	<b>\$ 2,244,160</b>	<b>0.8 %</b>

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.
- ❖ **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

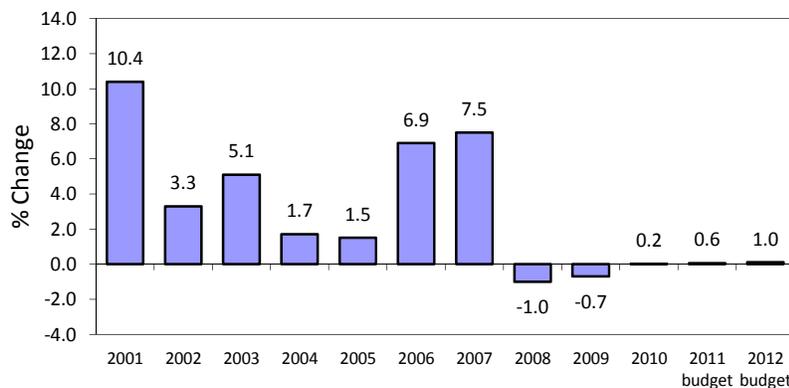


Figure 1

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.

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.
<b>Total</b>	<b>\$</b>	<b>291,679,200</b>

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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).

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 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 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	∞
<b>Total General Fund</b>	<b>\$273,651,710</b>	<b>\$271,407,550</b>	<b>\$ 2,244,160</b>	<b>0.8 %</b>

## 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
<b>Total General Fund</b>	<b>\$ 273,651,710</b>	<b>\$ 271,407,550</b>	<b>\$ 2,244,160</b>	<b>0.8 %</b>

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## 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.

<b>STAFFING REDUCTION SUMMARY</b>	
<b>Department</b>	<b>2012 Reductions</b>
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)
<b>Direct General Fund</b>	<b>(32.24)</b>

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.**

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## OVERVIEW

If it is possible to summarize the 2012 General Fund from the “40,000 foot viewpoint”, it would be as follows:

### Revenue

- ❖ Large reductions in federal and state grant revenues
- ❖ Reductions in indirect cost charges to other funds
- ❖ Large reductions in elections reimbursement
- ❖ Large reductions in Planning and Land Services revenues for development activity

- ❖ Large reductions in bridge toll fine revenue and interest revenue
- ❖ Moderate increases in tax revenues

This results in a net increase of only 1.0%. That slight increase must fund:

**Expenditures**

- ❖ To the extent possible medical insurance increases
- ❖ To the extent possible the large increase in state mandated pension costs
- ❖ Normal inflationary increases for operations

Since a 0.8% revenue increase cannot fund the above, the net result is a reduction in most categories of expense (including staff).

**D. 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).

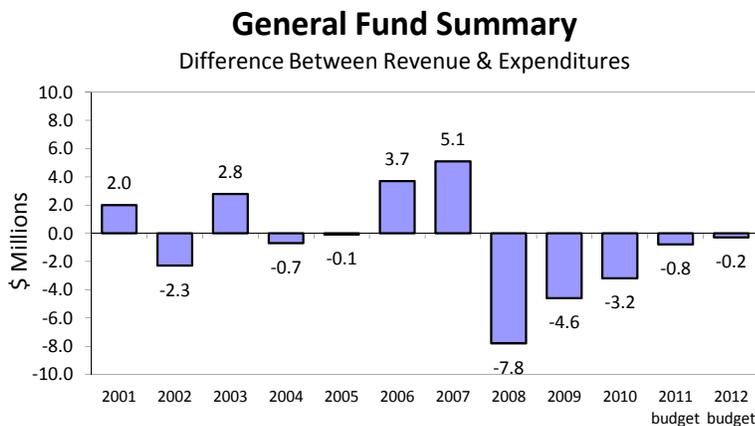


Figure 3

## Unreserved General Fund Balance

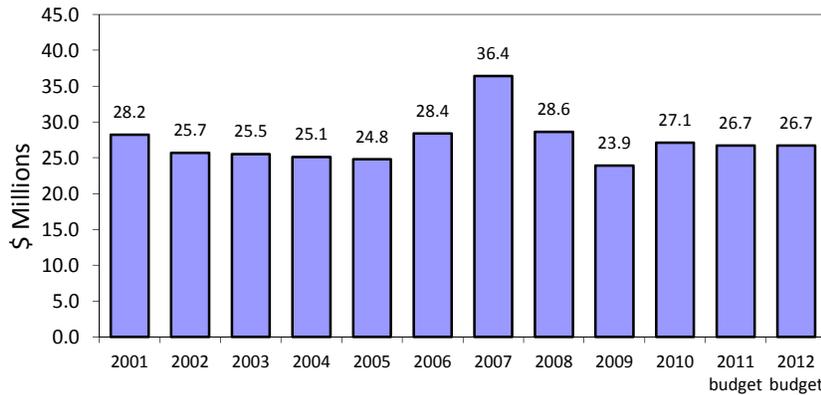


Figure 4

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

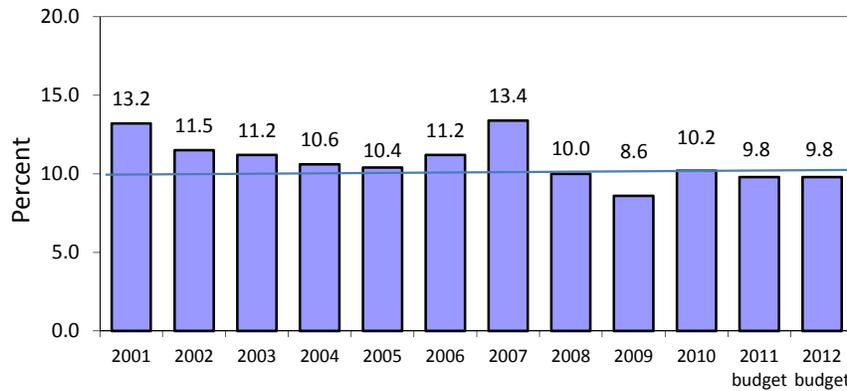


Figure 5

### E. TAX RATES AND ASSESSED VALUATIONS

For the third year in a row the County's assessed valuation total will decrease for the next year, from \$81.3 billion in 2011 to \$74.7 billion in 2012. This results from an assessed value decrease of \$6.6 billion for existing property, only partially mitigated by a \$.7 billion growth due to new construction.

## Percent Change in Assessed Valuation

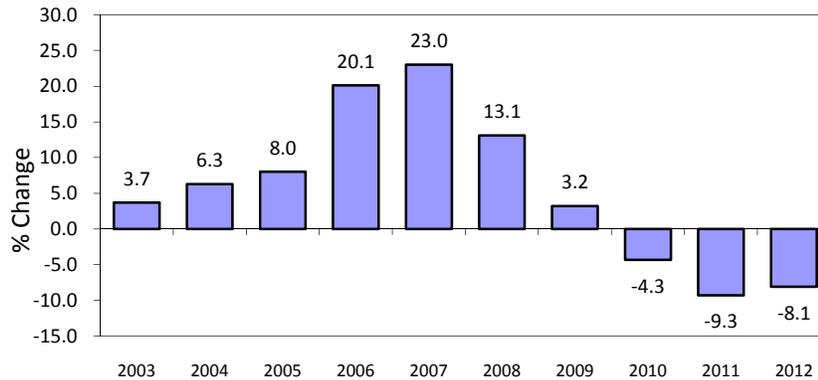


Figure 6

This decrease in the valuation of existing property will result in **tax rate increases in 2012** as shown in the accompanying table. This is necessary in order to generate the legally permitted 1% growth in revenues. During most of the decade we had seen a pattern of tax rate declines due to large valuation increases.

**Please keep in mind that only 11% of all the property taxes paid by our citizens goes to the County's General Fund.** Most of the property taxes are by law distributed to the State of Washington, cities, and local school districts.

<b>PROPERTY TAX RATES</b>		
	<b>2012</b>	<b>2011</b>
	<b>Rates</b>	<b>Rates</b>
<b>General Levy (\$1.80 max.):</b>		
General Fund	1.3616	1.2165
Veterans Relief	0.0086	0.0077
Social Services	0.0191	0.0172
<b>Total General Levy</b>	<b>1.3893</b>	<b>1.2414</b>
Road Levy (\$2.25 max.)	1.9050	1.7212

### F. 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.

## 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:

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

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

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 Mgmnt	\$ 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

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## 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

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## 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** — We are concerned that continuing state fiscal problems will result in reduced state grants. However, at this time we have no further specific cutbacks other than those already included in the 2012 budgets.

**Property Tax Payments** — Our 2012 property tax revenues assume a payment pattern which has been consistent for the last ten years. However, the increasing number of homeowners who are delinquent in their mortgage payments or who are actually in foreclosure is a major concern. If that prior pattern does not hold, our property tax revenues in the short term will be adversely affected.

**Building and Facility Needs** — The County is faced with many facilities which are in need of major structural improvements and renovations, or simply need to be replaced. These are in addition to the potential need for a County Administration and Transportation Building. The major facilities in need of significant improvements or replacement include:

- Remann Hall
- LESA
- New Sheriff Precinct
- Jail Repairs and Remodel
- Spanaway Golf Course
- Health Department
- County-City Building Remodel Phases Three and Four

The limitations of County general revenues coupled with the decline in REET revenues mean that it is unlikely that these necessary projects can move forward without a significant new source of funding (e.g. utility tax, voter approved bonds, additional sales taxes, etc.).

**Space Needs** — We are currently engaged in a review of our existing facilities and space needs in light of: a) the mental health cutbacks, b) reductions in other programs and staffing, and c) our goal of reducing lease expenses

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where feasible. This review could result in subsequent recommendations and budget adjustments affecting 2012.

**Jail Population Levels** — Since early summer we have seen a spike in jail population levels. We are not certain if this spike is temporary, or if there are measures that we can and should implement which will reduce the population levels back to 2008-2009 figures. The 2012 Correction budget is based upon the previous lower levels, and if actual inmate population continues at their current levels the 2012 Budget may be inadequate for such items as overtime, medical, drug supplies, food, etc.

## **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.

