



EXECUTIVE MESSAGE

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Pierce County

Office of the County Executive

930 Tacoma Avenue South, Room 737
Tacoma, Washington 98402-2100

(253) 798-7477 • FAX (253) 798-6628
www.piercecountywa.org

BRUCE F. DAMMEIER

Executive

(253) 798-7477

Bruce.Dammeier@co.pierce.wa.us

December 4, 2019

To the Residents of Pierce County,

This year marks the first time Pierce County is developing a biennial budget. This two-year view allows us to invest in and evaluate programs over a longer horizon, making for better decisions and greater impact.

The 2020-21 budget is fiscally and socially responsible. Our fund balances are up, our credit rating is up, and we are making key moves to improve our long-term outlook. For example, we are partnering with the state to provide health benefits to our employees. By leveraging the significant buying power of the state plan, we can lower premiums, increase employee choice, and better protect taxpayers.

Public safety remains the number one priority of county government. We are enhancing our response to unauthorized homeless encampments. We are working to speed the clean-up of drug houses and other nuisance properties. And we continue to scale up the number of mental health co-responders in the field supporting the public and our law enforcement officers.

Additionally, this budget makes progress toward a healthier environment in our region. It funds new projects designed to improve water quality, remove harmful barriers to fish passage, and protect vulnerable areas from flooding. It also funds key habitat restoration and conservation projects.

Improving access to housing and creating family-wage jobs remain key priorities. This budget increases the capacity in our Planning and Public Works Department to accelerate permitting of commercial and residential structures. We continue working to cut red tape, strategically expand our sewer system to promote economic development, and provide incentives to encourage affordable housing development.

With this budget, we continue to make meaningful progress for the people of Pierce County. I encourage you to read the details in the pages that follow.

Thank you for the opportunity to serve.

Sincerely,

A handwritten signature in blue ink, appearing to read "B. Dammeier".

Bruce F. Dammeier
Pierce County Executive

Budget Summary Highlights

Since 2017 we have planned and measured our work around three main themes: building and sustaining vibrant communities, creating an entrepreneurial climate that fosters family-wage job growth, and operating the County's work in an efficient and effective manner:

Vibrant Communities

To support the work to create healthy neighborhoods, the budget features several innovative programs with our youngest residents in mind. From funding support for the "Help Me Grow" family support program to waiving fees to expand Tacoma Public Schools' Housing Assistance Program, we are prioritizing the needs of some of the most vulnerable in the community.

Another key initiative focuses on supporting military veterans. The budget includes an expanded, one-stop Service Center where veterans and their family members can conveniently access benefits support, housing vouchers, job referrals, and other services they've earned.

The biennial budget reflects new funds available from the state of Washington to create affordable and supportive housing.

In 2020 we plan to build on the proven success of the Mobile Community Intervention Response Team by designing and building a new Crisis Recovery Center in the Spanaway/Parkland area. The new center will add sorely needed evaluation and treatment for our neighbors, friends, and family members dealing with behavioral health challenges.

The budget also includes funding to bring greater community awareness and outreach help for those victimized by human trafficking in our region.

We expect that the technology investments in the budget that support law enforcement and the courts will result in our deputies spending more time on the street keeping residents safe and less time filling out paperwork.

Entrepreneurial Climate

A new website called Invest Pierce County (InvestPierceCounty.com) gives business owners, brokers, site selectors and communities access to a robust interactive online search tool to find available commercial sites and buildings in Pierce County, along with County demographics and analytics. The budget includes enhancements to the site, as well investments in marketing to attract business owners to locate, expand, and grow in Pierce County.

To make doing business in Pierce County as easy as possible, the budget includes funding to add several permitting jobs to increase the speed with which building permits for commercial and multi-family buildings are reviewed and processed.

A planned initiative to bring the innovative PALS+ permit system into the cloud will bring even better service to permit applicants.

Effective Government

The budget includes an internal project that eliminates silos and simplifies how County teams work together. The initiative brings together department teams performing similar work into integrated “Centers of Excellence.” The teams include Communications, Facilities Management, Finance, and Human Resources. The goal is to bring greater consistency and collaboration across the County.

Earlier this year, the County embarked on an ambitious effort to create a more diverse, equitable, and inclusive place to work. Over the next two years, internal work teams will focus on improving outreach to attract diverse candidates to apply for open positions, and to ensure that all County employees are provided with opportunities to succeed.

Stable and Strong

The 2020-21 biennial budget maintains a fund balance that exceeds our 15% goal and reflects a six-year financial forward review and perspective.

Accountability

You can learn more about the progress being made in meeting specific goals at Open Pierce County (www.open.piercecountywa.gov), an interactive series of online dashboards that offer an unprecedented level of information and data about County operations.

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.

A. GENERAL FUND REVENUES

A more detailed listing of General Fund revenues is presented in the Financial Overview section of this budget document. A summary of the 2020-21 revenues, with a comparison to the current biennium, is shown in the table below.

GENERAL FUND REVENUE SUMMARY				
	2018-19 Budget	2020-21 Budget	Absolute Change	Percent Change
Tax Revenue				
General Property Taxes	253,503,090	266,179,110	12,676,020	5.0
Law Enforcement Property Taxes	28,116,920	29,540,030	1,423,110	5.1
Sales Tax	170,123,300	196,246,380	26,123,080	15.4
Excise Taxes	1,447,870	1,400,000	(47,870)	(3.3)
Gambling Taxes	487,570	539,000	51,430	10.5
License & Permit Revenue	11,563,450	11,318,840	(244,610)	(2.1)
Intergovernmental Revenue	47,118,160	46,743,330	(374,830)	(0.8)
Charges for Services Revenue	107,260,159	111,457,260	4,197,101	3.9
Court Fine & Penalty Revenue	8,552,240	7,570,230	(982,010)	(11.5)
Miscellaneous Revenue	21,517,900	26,512,310	4,994,410	23.2
Proceeds from Sale of Assets	11,954,576	8,510,000	(3,444,576)	(28.8)
Transfers In	12,725,540	15,805,160	3,079,620	24.2
Use of Fund Balance	7,235,680	8,467,540	1,231,860	17.0
Total Available Resources	681,606,455	730,289,190	48,682,735	7.1

2020-21 revenue projections are based largely upon the following assumptions:

1. Revenue growth will be similar to 2018-19, increasing moderately throughout 2020-21.
2. While inflation will remain at low levels in 2020-21, increased consumption will result in sales tax revenue growth.
3. Short term interest rates will slowly rise throughout 2020-21.
4. Contract revenues for several major services (principally jail operations) will be at similar levels compared to 2018-19.
5. New construction will be at similar levels as in 2018-19.

Based upon the above assumptions, General Fund revenues are assumed to increase by 7.1% above the 2018-19 biennial budget level.

The following summarizes the changes in each major category of revenue:

- ❖ **Property Tax** revenue collections are projected to increase by 5.0% in 2020-21. This level is based upon four factors. The first is the 1% growth available under state law. The second is the growth resulting from new construction and improvements (which is similar to prior years). The third is the administrative adjustments made for 2020-21 collections, and fourth, a decrease in delinquencies.
- ❖ **Sales Tax** revenue is projected to increase by 15.4% from the 2018-19 biennial budget. This increase is primarily associated with an increase in retail related sales tax collections and new construction.
- ❖ **Other Taxes** are at similar levels compared to 2018-19.
- ❖ **Licenses and Permits** revenues are projected to decrease by \$244,600 or 2.1%.
- ❖ **Intergovernmental Revenues** are at similar levels compared to 2018-19.
- ❖ **Charges for Services** are estimated to be 3.9% above 2018-19. This change is comprised of many increases or decreases in specific revenue sources (recording fees, planning fees, indirect cost charges, contractual services, etc).
- ❖ **Court Fine and Penalty Revenue** are projected to be 11.5% below the 2018-19 biennial budget.
- ❖ **Miscellaneous Revenues** are projected to increase by \$4.6 million or 23.2% in 2020-21, largely due to increases in investment earnings associated with rising interest rates.

Overall the percentage change in total resources available for 2020-21 General Fund expenditures is 7.1% higher than the 2018-19 biennial budget.

Percent Change in General Fund Revenues

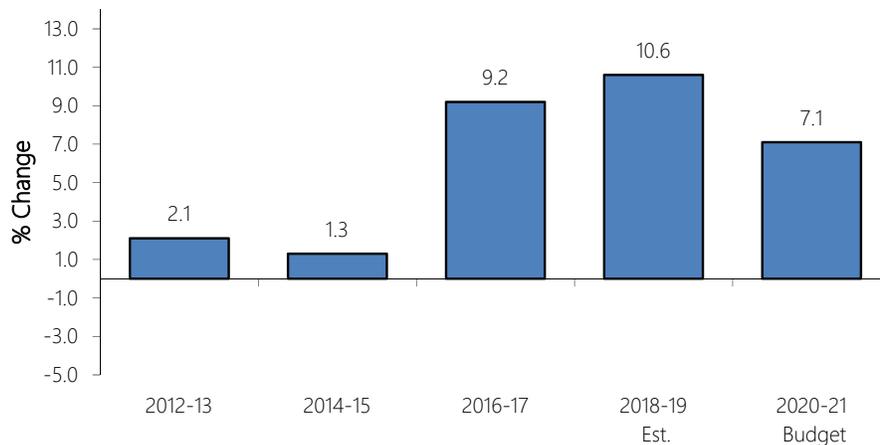


Figure 1

Comparative revenue changes for the last four biennia are shown in Figure 1. The increase of 9.2% in 2016-17 is largely due to property tax, sales tax, and investment interest.

Property Tax Limit – In addition to the general state of the economy, the growth in taxes from existing property has been limited to only 1% per year since 2002. This threshold is below the rate of inflation over this period and has placed limitations on the County budget.

B. GENERAL FUND EXPENDITURES

The expenditure tables that follow summarize the 2020-21 General Fund expenditure budget and compare it with the 2018-19 biennial budget. The first table presents the General Fund according to functional category, while the second table lists each department budget.

The increase in the 2020-21 General Fund biennial budget allocated to Public Safety and Legal and Judicial services is \$38.3 million. Public Safety and Legal and Judicial functions of the County continue to receive the highest percentage of General Fund expenditures in 2020-21.

As shown in the Department Expenditures listing, most departments show an increase in spending authority in 2020-21. Staffing changes in Public Safety and Legal and Judicial increased by 17 positions. Prevention Services reflects projected growth in sales tax collections. Superior Court, District Court, and Sheriff reflect increases for compensation. The Miscellaneous Current Expense decrease reflects one-time funding in 2019 to pay off inter-fund loans.

The percentage change in a particular department budget as shown on the next page may not always be an indication of the extent to which that department’s real inflation adjusted resources are growing (or decreasing) from the prior year.

The “Budget Highlights” section in each department budget provides a more detailed explanation of the significant changes included in the 2020-21 biennial budget.

GENERAL FUND EXPENDITURES BY FUNCTION				
	2018-19 Budget	2020-21 Budget	Absolute Change	Percent Change
General Government	101,506,215	112,845,160	11,338,945	11.2
Public Safety	327,468,316	354,704,910	27,236,594	8.3
Legal and Judicial	189,155,964	200,204,300	11,048,336	5.8
Natural And Economic Environment	20,114,350	21,809,220	1,694,870	8.4
Social Services Activities	17,016,350	19,021,290	2,004,940	11.8
Culture And Recreation	23,406,250	20,646,250	(2,760,000)	(11.8)
Transportation	2,224,990	450,000	(1,774,990)	(79.8)
Utilities	714,020	608,060	(105,960)	(14.8)
Total General Fund	681,606,455	730,289,190	48,682,735	7.1

GENERAL FUND EXPENDITURES BY DEPARTMENT

	2018-19 Budget	2020-21 Budget	Absolute Change	Percent Change
Assessor/Treasurer	22,884,530	24,168,990	1,284,460	5.6
Assigned Counsel	40,348,739	43,073,710	2,724,971	6.8
Auditor	22,821,440	20,840,730	(1,980,710)	(8.7)
Bond Debt Service	766,660	672,080	(94,580)	(12.3)
Capital Improvement Projects	230,000	330,000	100,000	43.5
Clerk	14,001,570	14,896,740	895,170	6.4
Communications	1,681,210	3,990,840	2,309,630	137.4
County Council	10,829,830	12,701,950	1,872,120	17.3
County Executive	4,620,310	5,388,480	768,170	16.6
District Court	30,105,670	31,977,660	1,871,990	6.2
Economic Development	3,017,800	3,559,200	541,400	17.9
Emergency Management	9,630,120	8,738,860	(891,260)	(9.3)
Finance and Performance Management	12,692,820	14,055,780	1,362,960	10.7
Health Services	5,152,340	5,135,340	(17,000)	(0.3)
Human Resources	9,086,420	10,576,770	1,490,350	16.4
Juvenile	44,122,570	47,105,330	2,982,760	6.8
Medical Examiner	7,234,850	8,757,460	1,522,610	21.0
Miscellaneous Current Expense	34,684,410	25,295,510	(9,388,900)	(27.1)
Parks and Recreation	16,377,800	18,610,750	2,232,950	13.6
Planning and Land Services	11,082,750	12,222,700	1,139,950	10.3
Prevention Services	3,634,091	4,036,220	402,129	11.1
Prosecuting Attorney	66,975,670	71,979,720	5,004,050	7.5
Sheriff's Corrections	115,463,830	121,751,300	6,287,470	5.4
Sheriff's Law Enforcement	151,563,325	174,563,140	22,999,815	15.2
Special Projects	3,637,470	3,828,650	191,180	5.3
State Auditor	353,070	430,830	77,760	22.0
Superior Court	37,828,260	40,788,590	2,960,330	7.8
WSU PC Extension	778,900	811,860	32,960	4.2
Total General Fund	681,606,455	730,289,190	48,682,735	7.1

C. MAJOR CHANGES

The 2020-21 biennial budget includes funding to enhance response time to unauthorized homeless encampments and to address nuisance properties. Resources are also provided for co-responders to support the public and our law enforcement officers. Additionally, the budget includes new projects designed to enhance water quality, remove barriers to fish passage, and protect vulnerable areas from flooding. The budget provides support to improve access to housing, create family-wage jobs, and accelerate permitting of commercial and residential structures.

One-time Expenditures

The 2020-21 biennial budget includes \$21.6 million for deferred building maintenance and \$5.0 million for property purchases.

Staffing

After several years of reductions, the 2020-21 biennial budget continues to add some additional positions to meet growing service demands. Between 2009 and 2021, staffing reductions in the General Fund now total 172 (8.4%). Overall the County has seen a reduction of 60 (1.8%) full time equivalent (FTE) staff during this time period.

Other

1. Many departments had grants or service contracts in 2018-19 which are not renewed in 2020-21, or vice versa.
2. Several departments had other items in 2018-19 which are not present in 2020-21, such as capital equipment purchases or one-time projects.
3. Annual "fixed costs," such as insurance, information technology, or space rental, changed in 2020-21.

The "Budget Highlights" section in each department budget provides a more detailed explanation of the significant changes included in the budget.

Overview

Based upon the following key factors, the 2020-21 General Fund biennial budget is 7.1%, or \$48.7 million, higher than the 2018-19 biennial budget:

Revenue

- ❖ Overall increase in General Fund revenues.
- ❖ Limited growth in property tax revenue with increased new construction.
- ❖ Increase in total sales tax revenue, primarily due to increases in retail and construction related collections.
- ❖ Moderate increase in revenue expected from the direct purchase of services provided by the County, primarily jail services for local governments and contracted deputies.
- ❖ Moderate increase in interest revenue because of rising investment rates.
- ❖ Intergovernmental revenue in 2020-21 is similar to 2018-19.

Expenditures

- ❖ Overall increases in General Fund expenditures are balanced with available revenue.
- ❖ The budget also includes an 18.1% unassigned General Fund balance, along with adequate balances for internal service funds.

D. FUND BALANCE

Figures 2 and 3 present the actual financial results for the General Fund during the 2012-13 to 2016-17 period, and the budgeted amounts for 2018-19 and 2020-21. As indicated in Figure 2, the trend through most of the decade has been 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 deficits in those years. Favorable revenues after the recession allowed unassigned fund balance to increase. The 2018-19 and 2020-21 biennial budgets assume a use of fund balance.

Based upon estimated revenues and expenditures, the 2021 unassigned General Fund balance will be approximately \$66 million (see Figure 3). It is the County's policy to maintain a fund balance for bond rating, emergencies, and working capital purposes which is 10% of the budget (with a long-term goal of 15%). The County has been able to maintain a level higher than 15% in recent years and expects to be 18% at the end of 2021 (see Figure 4). This level will enable the County to draw upon these resources to cover projected growth in General Fund expenditures and the impact of an economic downturn.

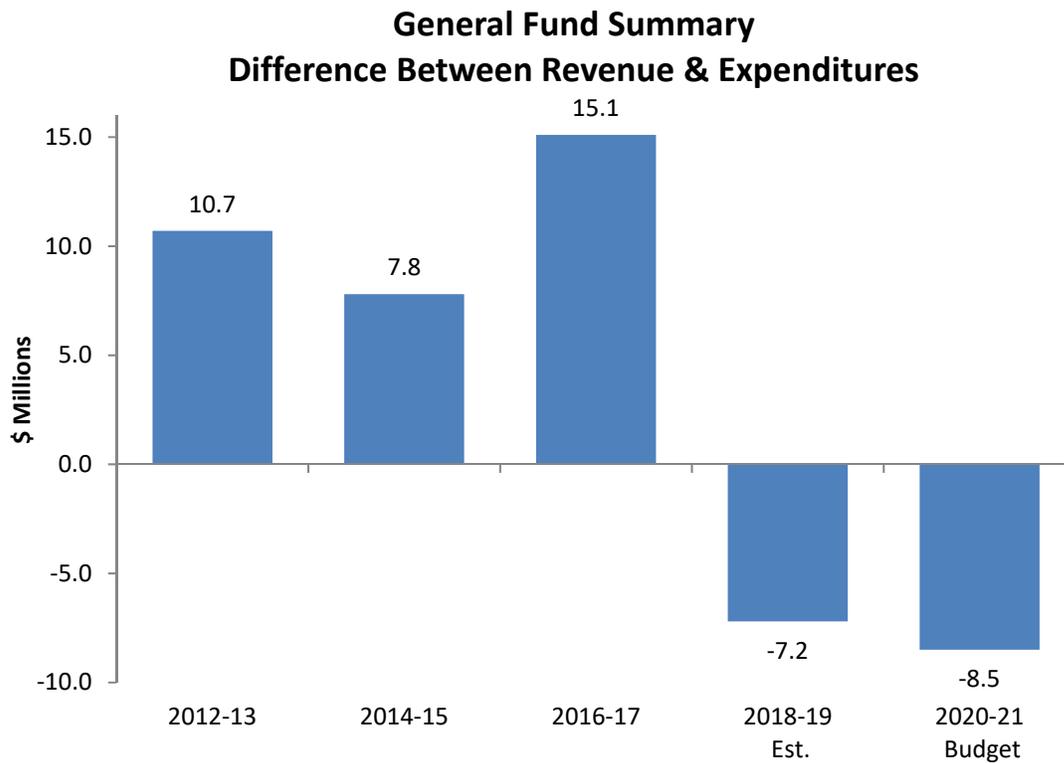


Figure 2

Unassigned General Fund Balance

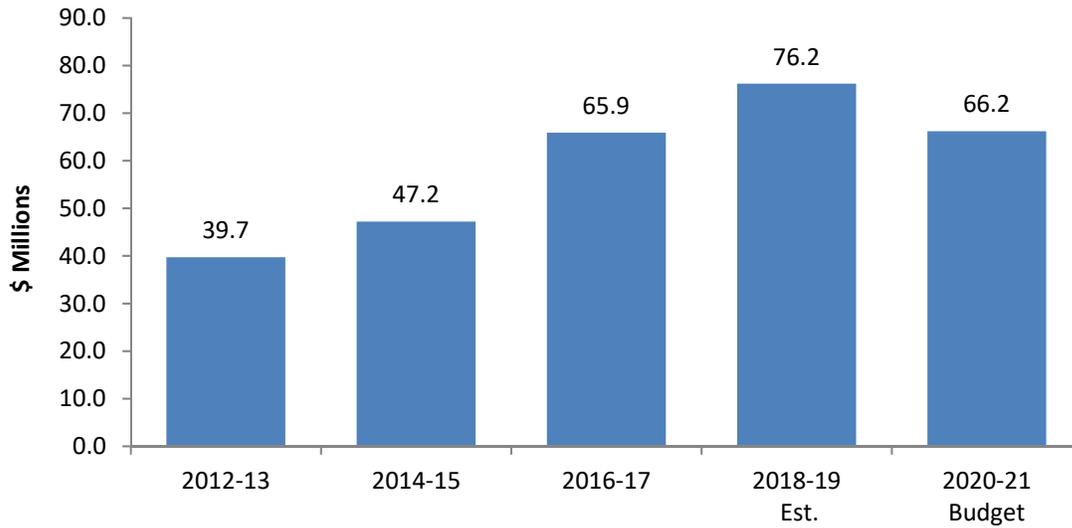


Figure 3

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

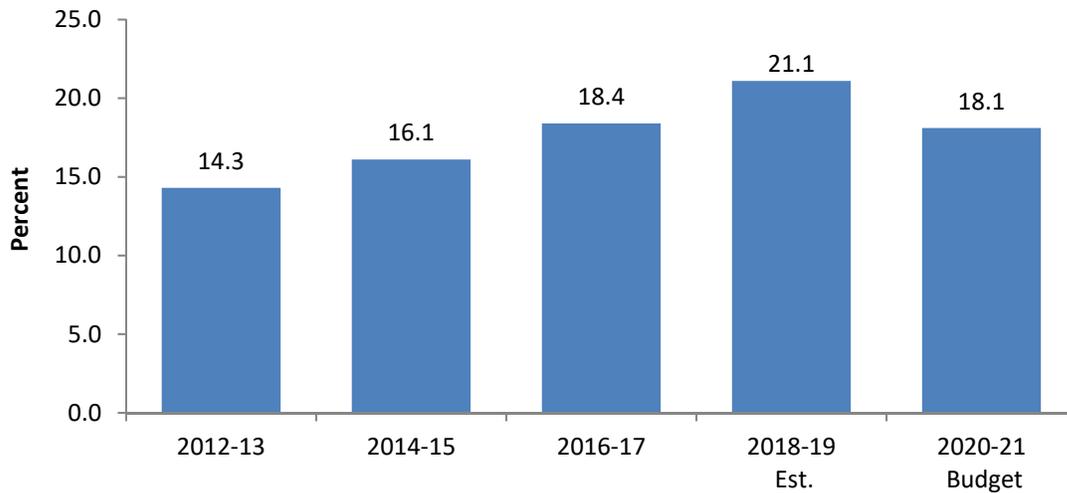


Figure 4

E. TAX RATES AND ASSESSED VALUATIONS

In 2020 the County's assessed valuation total will rise from \$114.2 billion to \$126.1 billion, which includes an increase in the value of existing properties plus new construction and improvements.

Percent Change in Assessed Valuation

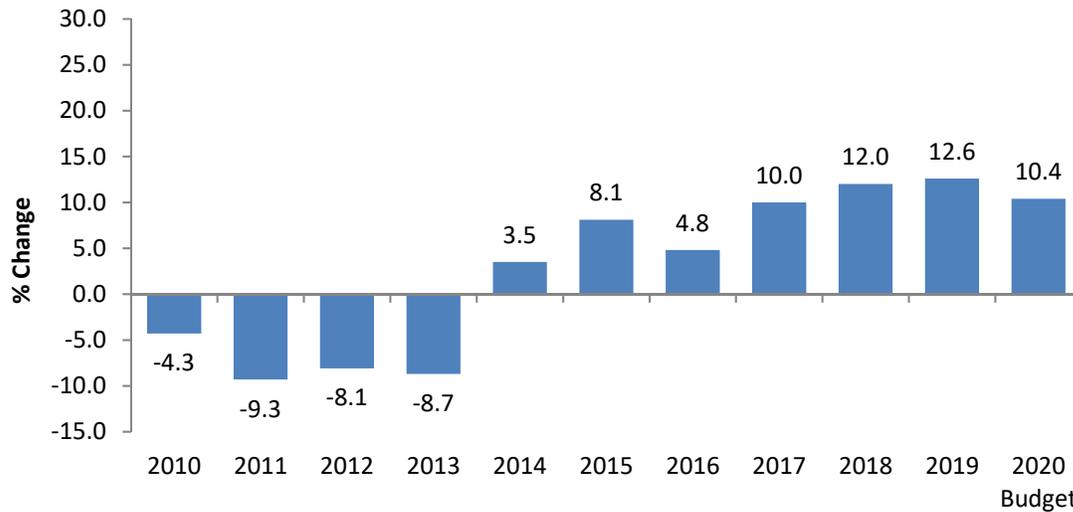


Figure 5

The rise in the valuation of existing property will result in tax rate increases in 2020 as shown in the accompanying table. These rate changes enable the County to generate the legally permitted 1% growth in revenues. During the recession the County experienced a pattern of tax rate increases, due to large valuation decreases.

Only 11% of all property taxes go to the County's General Fund. Most of the total property taxes are by law distributed to the State of Washington, cities, and local school districts.

PROPERTY TAX RATES		
	2019 Rates	2020 Rates
General Levy (\$1.80 max.)		
General Fund	1.0564	1.0864
Veterans Relief	0.0137	0.0137
Social Services	0.0150	0.0154
Total General Levy	1.0851	1.1155
Road Levy (\$2.25 max.)	1.4926	1.5247

F. OUTLOOK FOR 2020-21

The outlook for 2020-21 shows a regional economy that should continue to experience growth throughout the period. Revenues associated with retail sales and construction will reflect growth in purchasing activities. Short-term interest rates are also expected to remain at the higher levels seen in 2018-19. These conditions impact the resources available for program operations and capital projects.

Actions yet to be taken by other governments may impact the County budget. Many local governments who purchase services from the County are preparing budgets and may change prior practices. In addition, the state and federal governments may change grant allocations.

Overall, the General Fund biennial budget for 2020-21 is balanced with adequate reserves.

Revenues that support the public works functions of the County are projected to be at levels sufficient to continue the service levels provided in 2018-19.

Similar to prior years, some budget issues may arise during 2020-21 that will need to be addressed at the time they occur. The County will continue to monitor interest rates, property values, and building permit activity to determine if any significant variations will have an impact upon economic activity and tax collections. In addition, the County will track any changes in the use of jail services to ensure that expenditures are aligned with available revenue.

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. HUMAN SERVICES

The Human Services Department is the County's major provider of community and human services programs funded primarily from state and federal grants and recording fees for housing programs. Due to changes in state and federal grant funding levels, these budgets often vary significantly from year to year. The following summarizes the major funds and the significant changes from 2018-19.

1. Resources for the Human Services Fund reflects an increase in 2020-21 revenues.
2. Homeless Document Fee and Affordable Housing Document Fee resources are anticipated to be above 2018-19 levels.
3. Grants that began in 2018-19 will continue for Behavioral Health.

Recent funding from state and federal sources has not been sufficient to support prior service levels. As the economy improves state and federal agencies may have resources to restore reductions that were made during the recession. However, future budget decisions could result in further adjustments.

B. TRANSPORTATION SERVICES

The Planning and Public Works Department has major transportation responsibilities which are supported by a variety of funds.

The 2020-21 program budgets, with comparisons to 2018-19, are shown in the table to the right.

HUMAN SERVICES			
Fund	2018-19 Budget	2020-21 Budget	Percent Change
Afford & Supp Hous Sales Tax	—	2,231,720	—
Afford Housing Doc Rec Fee	4,341,090	4,689,192	8.0
Behavioral Health Partnership	16,450,215	14,297,704	(13.1)
Community Action	16,859,000	17,854,680	5.9
Community Development	11,454,684	11,073,530	(3.3)
Homeless Doc Rec Fee	14,085,900	15,399,690	9.3
Housing and Homeless	25,436,170	30,496,940	19.9
Human Services	72,635,510	81,747,980	12.5
Mental Health	68,140	68,120	—
Veterans Relief Fund	2,573,150	3,208,930	24.7

TRANSPORTATION SERVICES FUNDS			
Fund	2018-19 Budget	2020-21 Budget	Percent Change
County Road Fund	176,051,180	169,548,390	(3.7)
PW Construction Fund	59,348,880	63,010,000	6.2
Ferry Services Fund	15,783,360	12,005,790	(23.9)
Airport Fund	6,346,830	4,674,120	(26.4)
Second REET Roads Fund	16,947,150	18,027,730	6.4
Traffic Impact Fee Fund	17,885,800	16,556,490	(7.4)
Transportation Facilities	1,106,400	2,147,500	94.1

The major items of note for 2020-21 are:

1. The County Road Fund maintains funding for capital construction similar to 2018-19.
2. The Public Works Construction Fund budget reflects anticipated project expenses.
3. The Ferry Services Fund reductions reflect no dry-docking costs in 2020-21.
4. The Airport Fund includes capital funding for hangar door renovations.
5. Roads Second REET reflects increases in revenue.

C. PARKS AND RECREATION FUNDS

Although the County's General Fund provides a direct allocation for parks and recreation services, \$12.7 million in 2020-21, there are also several other County funds which provide these services or which construct, repair, or enhance parks and recreation facilities. The 2020-21 biennial budgets for these funds are shown to the right.

As the figures indicate many of these funds are decreasing from the 2018-19 level.

PARK FUNDS			
Fund	2018-19 Budget	2020-21 Budget	Percent Change
Conservation Futures	10,687,350	9,719,570	(9.1)
Conservation Futures Const	7,718,000	9,750,000	26.3
Parks Construction Fund	19,411,620	16,123,240	(16.9)
Parks Impact Fees	9,382,970	9,494,500	1.2
Parks Sales Tax	9,184,920	9,834,500	7.1
Second REET Parks Fund	6,313,340	8,006,730	26.8
Paths & Trails	1,510,050	1,427,900	(5.4)
Paths & Trails Const	1,916,000	6,212,000	224.2
Pierce County Fair Fund	516,870	448,930	(13.1)
Golf Courses	4,014,780	3,882,360	(3.3)
Chambers Cr Regional Park	23,851,460	21,419,400	(10.2)

D. ENVIRONMENTAL SERVICES

The Planning and Public Works Department has five funds which address environmental issues. These funds and budgets are listed to the right.

1. Surface Water Management includes allocations for capital expenditures and operations.
2. The Sewer Utility budget reflects an increase for capital projects.
3. The Blighted Property Maintenance Fund includes resources for nuisance property clean up.
4. The Solid Waste Fund finances waste reduction, recycling programs, and environmental education services to youth and adults.

ENVIRONMENTAL SERVICES FUNDS			
Fund	2018-19 Budget	2020-21 Budget	Percent Change
Blighted Property Maint	2,653,200	5,104,220	92.4
In-Lieu Fee Wetlands Mitg	39,600	—	(100.0)
Surface Water Mgmt	54,839,880	63,942,540	16.6
Surface Water Mgmt Const	36,552,150	40,997,880	12.2
Sewer Utility	249,828,420	290,437,315	16.3
Solid Waste Management	13,568,100	14,184,740	4.5

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. These funds operate under the enterprise fund business model, except that customers are other County departments. The goal is to establish rates which will pay all operating and capital costs and to ensure that the General Fund does not subsidize these activities.

Some of these internal service funds rely upon prior fund balances in order to support their 2020-21 biennial budgets.

INTERNAL SERVICE FUNDS			
Fund	2018-19 Budget	2020-21 Budget	Percent Change
Equipment Services	33,526,110	30,523,940	(9.0)
Facilities Management	35,285,890	37,885,170	7.4
Fleet Rental	10,575,360	11,488,810	8.6
General Services	6,144,890	6,129,300	(0.3)
Information Technology	75,286,970	73,922,560	(1.8)
Medical Self Insurance	33,919,480	38,616,220	13.8
Radio Communications	13,730,270	10,973,040	(20.1)
Self Insurance	22,393,900	21,852,720	(2.4)
Workers Compensation	12,741,200	13,376,590	5.0

Conclusion

Reflecting the steady improvement of the County's economy, continued revenue growth supports a 2020-21 General Fund biennial budget of \$730.3 million and a total funds biennial budget of \$2.4 billion.

The 2020-21 biennial budget makes strategic investments that will create vibrant communities, foster an entrepreneurial climate, and deliver an effective government. The budget also continues to focus on the County priorities of public safety, economic development, behavioral health, and nuisance property abatement.

Overall, the 2020-21 biennial budget is fiscally stable and financially strong.