



## SKAGIT COUNTY ADMINISTRATIVE SERVICES

TIM HOLLORAN, County Administrator

Date: November 19, 2012

Re: 2013 Preliminary Budget

Skagit County is only beginning to show some indication of stabilization in the local economy. Once again, the Board of County Commissioners is faced with considerable economic challenges in making difficult decisions when considering budget requests by departments.

In August 2012, Skagit County Elected Officials and Department Heads submitted preliminary budget requests to the Board of County Commissioners totaling \$165,154,899. Budget submittals were compiled and reviewed as the Board met with Elected Officials and Department Heads between October 30, 2012 and November 7, 2012. The outcome of those meetings and decisions of the Board have resulted in:

- Total Preliminary Budget in the amount of \$163,225,847
- General Fund Budget of \$48,284,528
- Supplemental General Fund Budget in the amount of \$713,030.

This is a 1.7% decrease in the General Fund from the previous year. The Board of County Commissioners present a balanced budget with our fund balance reserves adopted well above the target of 12% projected to grow to nearly \$8.2 million (17%) under this expenditure plan. This is critical to preserving our high quality bond rating.

The Board of County Commissioners is committed to working towards providing a responsible and responsive County government by ensuring reliable and stable economical budget administration. Direct costs for the Law & Justice System consumes over 76% of the County's General Fund budget (excluding transfers and payments to other funds) with investment in public safety continuing to be a priority of the Board of County Commissioners. Outlined below are some details of the preliminary 2013 Skagit County budget.

### **State cuts:**

As the State of Washington works to balance its budget, addressing a projected multi-billion dollar revenue shortfall, Skagit County will be directly impacted. The County's 2013 preliminary

General Fund budget includes over \$3 million in state funding. The County's General Fund does not have the means to backfill reductions from this revenue stream. As future state budgets evolve, Skagit County will address uncertain state funding and state revenue reductions through the budget amendment process throughout 2013.

### **2013 property taxes and sales tax:**

The Board of County Commissioners' proposed 2013 budget includes a 1% property tax increase over the prior year's assessment as allowed by statute. The current rate of inflation in the region is 2.7%. Revenue generated by this tax increase is \$215,232 to the general fund, \$131,631 to county roads, and \$7,633 to conservation futures. Total impact to a homeowner with a home valued at \$200,000 is \$6.68. The general fund increase of \$215,232 will be dedicated to support the additional 2.5 FTE's in the Law and Justice System.

The Board of County Commissioners has included the positive financial impact of the capture of over \$131 million in New Construction resulting in an increase in taxes levied of over \$203,000 in the General Fund.

Sales tax collections projected in the General Fund account for a little over 15% of the County's General Fund revenue. In 2012 the County has experienced an approximately 7.1% increase in sales taxes collected, the bulk (5.08%) is attributable to a one-time construction project. Our forecasted 2013 sales tax estimate is projected at the 2012 base level ( $7.1\% - 5.08\% = 2.02\%$ ).

The General Fund budget continues to include a levy shift from the Road Fund of \$1,000,000 and a Levy Diversion from the Road Fund in the amount of \$1,350,000. The Diversion will be used for Traffic Law Enforcement as allowed by statute.

### **Contingencies:**

Skagit County is subject to the rules and requirements set by the Washington State Legislature and the Courts. Current unfunded cost drivers include the stringent Stormwater requirements, overwhelming requirements of Growth Management Act and the contentious update of the Shoreline Master Plan. Increased efforts to comply with growing requests for volumes of information and communications through the Open Public Meetings Act have proven costly for every department. Additional challenges of excessive liability and regulation continue to lead to higher costs of service.

The 2013 budget includes a \$70,000 reduction in liquor tax revenue. We are closely monitoring the liquor tax revenue as reductions will have a significant impact funding the County's detox facility as well as services provided in the general fund.

The Board of County Commissioners will also keep a watchful eye on the federal budget. Any necessary changes will be addressed through the budget amendment process.

### **Closure days and General Wage Adjustments:**

Skagit County is continuing negotiations with its 13 Collective Bargaining Unions. Over the last four years, Skagit County has experienced 38 closure days. The 2013 preliminary budget has been prepared with a contingency to preserve 9 closure days, the same as 2012. As in prior years, closure days will not apply to Patrol, Corrections, Juvenile Detention and Ferry employees for operational reasons, or Elected Officials.

Since the beginning of the economic downturn in 2008, non-represented County employees have received a 3% General Wage Adjustment only one time. The Board of County Commissioners recognizes the dedication and hard work of all of its employees and wishes to address the sacrifices made over the last several years. Therefore, the 2013 preliminary budget has been prepared with a contingency for a 2% General Wage Adjustment for non-represented employees as well as Elected Officials with salaries set by the Salary Commission and County Commissioners.

### **Freezing positions:**

In 2013, the Board will continue the policy of freezing County positions for 90 days as they become vacant, in order to evaluate the need to refill them.

### **Position reductions:**

In accordance with the Board's policy not to backfill the loss of state and federal funding, the Skagit County's 2013 preliminary budget reflects the reduction of six full time positions. This includes three full time grant funded positions due to loss of state funding.

- 1 FTE - At Risk Youth Care Coordinator in Community Services.
- 1 FTE - Environmental Health Specialist in Public Health.
- 1 FTE - Probation Officer in the Office of Juvenile Court. Reduction will occur through attrition.

The Board has reduced three additional full time positions and reallocated these resources to meet changing priorities and mandates. Tough decisions were made requiring leaders to weigh the needs of competing priorities.

- 1 FTE - HR Staff Assistant in Human Resources
- 1 FTE - Custodial Lead in Facilities.
- 1 FTE - System Administrator II in Information Services.

## Supplemental Budget:

Departments requested supplemental items in the 2013 budget totaling over \$3 million. Resources are not available to fund the majority of these requests. The Board of County Commissioners' proposed budget recommends approximately \$1.1 million of selected supplemental expense. A little over \$400,000 is funded by outside revenue streams.

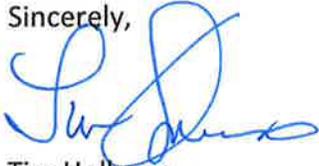
The recommended supplemental items include an equivalent of eleven full time positions as follows:

- 2.5 FTE's in the Law & Justice system
  - Creation of a Lieutenant in the jail dedicated to oversee the classification process.
  - Re-establish the Case Expeditor to bring efficiency and cost savings to the court process
  - Add a half time Public Defender to meet the statutory case load requirement. (Results in 1 FTE for ½ of the year)
  
- 1FTE - Custodial Supervisor in Facilities to provide supervisory oversight while custodians are on-site.
  
- 3 FTE grant funded Nurse positions in Public Health to re-establish the evidence based, effective Nurse Family Partnership Program.
  
- 2 FTE's in Planning & Development Services to carry out plan reviews, inspections, and significantly improve the processing time for building permits.
  - Re-instate Building Inspector.
  - Re-instate Permit Technician.
  
- 1FTE - Systems Engineer in Information Services to manage an expanded complex multi-agency law enforcement software platform.
  
- 1FTE – Human Resources / Risk Analyst position in Human Resources to assist in compliance with HIPAA, Criminal Justice Information Systems requirements, and implementation of Health Care Reform.
  
- ½ of 1FTE – Fair Event Coordinator at the County Fairgrounds. Results in 1FTE as Fair Event Coordinator to provide year to year continuity in program planning.
  
- Additionally, this supplemental budget includes \$400,000 in costs for housing prisoners outside of the County in other jurisdictions detention facilities. Over \$604,000 of the supplemental budget is dedicated for increasing demands placed on our Law & Justice system.

We will enter into 2013 fully aware of the necessity to significantly retool our employee benefit package to comply with the impending Health Care Reform. We are committed to working with our employee groups to re-design an appropriate, affordable plan.

We will need to continue our collaborative efforts to control spending and improve efficiency. On behalf of the Board of Skagit County Commissioners, I want to thank each Elected Official and Department Head and all our employees for their continued hard work and diligence in carrying out tough solutions to meet our budget challenges. We also want to thank our 13 collective bargaining units for their continued support. Thanks to Trisha Logue and Chris Stamey of Budget and Finance for their ongoing quality work.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Tim Holloran', is written over the word 'Sincerely,'.

Tim Holloran  
Administrator