

# 2008-09 ADOPTED BUDGET

## ADMINISTRATOR'S BUDGET MESSAGE

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The Proposed Budget was adopted with minimal changes. The changes are summarized in Exhibit A on page ii of this document. Due to the limited scope of these changes, the charts, graphs, and financial summary analysis that follow, continue to reference amounts from the Proposed Budget. The Approved and Adopted columns for each organization unit and the Schedule of Appropriations fully reflect the budget as adopted by the Board of Commissioners. Changes from the Proposed to Adopted budget include encumbrances, carry-forwards and salary adjustments.

### **Overview**

Washington County's proposed budget for the 2008-09 fiscal year totals \$664,908,689, a reduction of \$21,038,584 (3.1%) compared to the 2007-08 adopted budget.

Consistent with prior years, the proposed budget takes a strategic approach to the annual financial plan. The budget is guided by several key principles rooted in the County's strategic plan, including the following:

- The County assumes, as appropriate, the role of direct service provider, partner or supporter. Certain countywide programs and services are determined to be most appropriately provided by the County or by contractors who provide those services on our behalf. Other key functions, while not found to be a core function of County government, may be performed by the County in partnership with other organizations by virtue of their proximity to the County's mission. Absent the assumption of either a direct service or partnership role, a major function the County can perform is that of supporting activities consistent with the development of the County's vision and mission statements.
- The County primarily provides countywide services, as opposed to services that benefit a specific geographic area or district. Countywide services are typically funded by countywide property taxes, other general purpose revenues, or special revenues dedicated to those services. In cases where municipal-type services are desired, funding is derived by local option through a variety of mechanisms including special districts and special assessments.
- The County relies on the participation of other public agencies, nonprofits, businesses, civic organizations, individuals and families to provide and fund the full range of services and support required in a healthy community. We need everyone to do their part and recognize that collaboration can be a difference maker.
- The County provides and funds services in accordance with the strategic plan and companion finance plan. As stated previously, countywide services are funded by a broad-based revenue structure. Further distinctions are made between those countywide services that are funded primarily by the General Fund and those countywide services that are funded primarily by special revenues. The assumption of a larger General Fund role in these service areas, or adding new General Fund commitments, should be evaluated and considered in the context of the County strategic plan, overall service priorities, balance of "core" service systems, General Fund financial forecast and sustainability of the investment or program.

In recent years, this strategic approach has been aided by a steady and growing economy allowing the County to respond to growing service demands, while accruing reserves. As a result, the County is in a strong fiscal position to deliver these core countywide services.

Going forward, several issues have an impact on this budget and future budgets. These include:

- ***The slowing economy*** is having a discernable impact on discretionary revenues. Although discretionary revenues are projected to increase by approximately 4%, the slump in the housing market (and economy more generally) is affecting property tax, recording fees and real property transfer tax revenues. If the economic downturn is prolonged, the County will need to review the resource reduction strategy and develop a plan to respond.
- ***Reliance on levy funding*** is a critical factor in sustaining service levels. The County was successful in getting voter approval for two four-year levies in November 2006 for public safety and library services. The ability to renew these levies every four years will play a significant role in the County's financial future. Both of these levies are scheduled for voter consideration again in November 2010.

The Enhanced Sheriff's Patrol District (ESPD) also currently receives funding from a local option levy which expires on June 30, 2008. Renewal of this levy is important in order to maintain law enforcement service levels in the urban unincorporated area and has been placed on the May 2008 primary ballot for voter consideration.

- ***Discipline in discretionary spending*** will continue to be a challenge as community expectations focus pressure on funding additional services, including enhancements to core County services and those services that are state and/or federal responsibilities.
- ***State and federal revenues*** are the primary resource for several service areas including Community Corrections, Juvenile, Community Development, Housing, Health and Human Services and Aging programs. The continuation of this funding is important to maintaining balance across the core services provided to the community.
- ***Criminal Justice Master Plan Update***. An important component of this review is the identification of long-term facility needs and costs. Projections indicate that, at a minimum, inmate capacity (Jail and Community Corrections Center) will need to double to approximately 1,453 beds. Further, making this "low-end" estimate work requires the implementation of a wide variety of policy and program enhancements and treatment alternatives. This reinforces the importance of focusing and prioritizing system investments on those areas that hold the promise of achieving the most significant results.
- ***Other organizational capital needs*** such as the replacement of the Assessment and Taxation computer system and additional space for a growing organization are currently being identified and will require the use of County resources in the future.
- ***Attracting and retaining a highly qualified workforce*** will continue to be a priority for the organization. This requires a continual commitment to quality facilities, equipment, training,

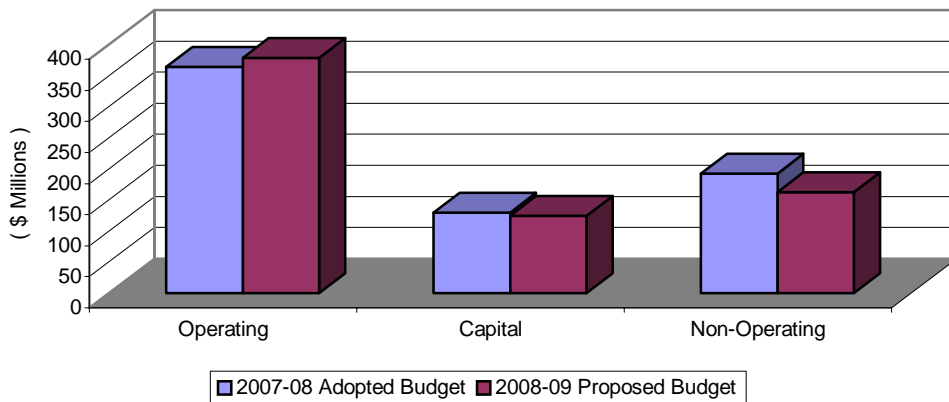
competitive salaries and benefits, and opportunities for professional development.

- ***Growth, infrastructure requirements and the challenge of planning new urban areas*** continue to generate additional service needs and financial demands.
- ***Internal operations and services*** continue to be a focus of attention in terms of efficiency, effectiveness, best practices, performance management and sustainability practices.
- ***Community partners*** continue to play a critical role in the service delivery system. Should they not be successful, the County could be faced with the prospect of providing services directly to their clients, which is neither as efficient nor as effective.
- ***The “urbanization forum” discussions*** with the cities and special districts will play a significant part in determining the County’s role in providing services to the urban unincorporated areas.

### **THE PROPOSED BUDGET**

The proposed budget is divided into three sections: the Operating Budget includes direct service delivery, staffing, and operating contingencies; the Capital Budget includes investments in facility, technology and transportation; and the Non-Operating budget includes internal service functions, reserves, and miscellaneous programs. Changes in the proposed budget compared to the 2007-08 adopted budget are summarized below. Additional detail on the budgetary changes is included in the *Financial Summary* section of this document and should be considered an appendix to this budget message.

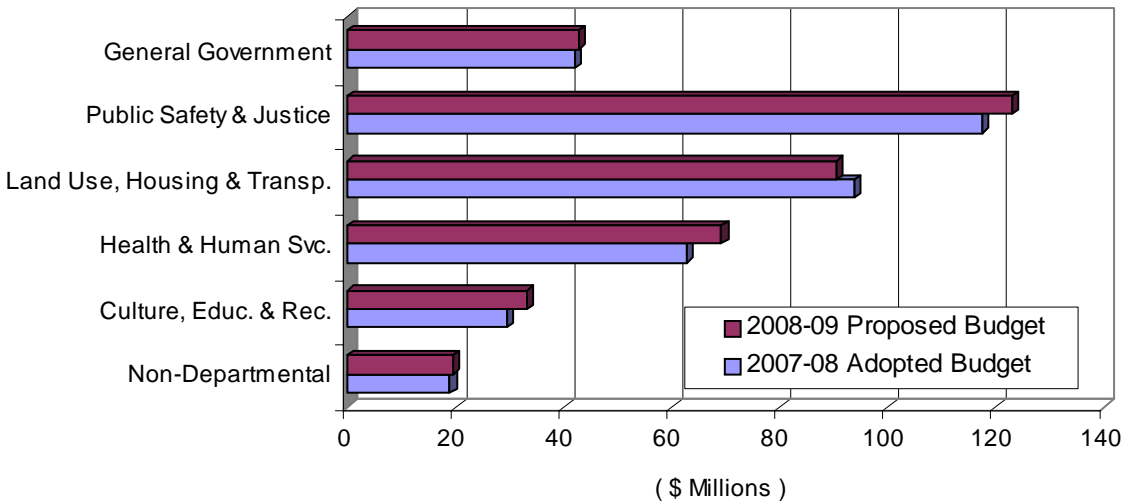
#### **Total Proposed Budget - \$664.91 Million**



#### **Operating Budget**

The Operating Budget increases \$14.14 million or 3.9% compared to the 2007-08 adopted budget. As proposed, the budget reflects the addition of 36.61 new full-time equivalent (FTE) positions including 19.3 FTE funded by the General Fund, 4.75 FTE funded by local option levies and 12.56 funded by other special funds.

The graph below provides a comparison of the 2008-09 proposed budget to the 2007-08 adopted budget by functional area:



With the exception of Land Use, Housing and Transportation, each functional area increases slightly over the 2007-08 adopted budget.

Public Safety & Justice expenditures increase by a total of \$5.64 million (4.81%) and staffing increases by 19.01 FTE. Approximately 31% of the spending increase and 4.75 new positions are attributable to the services funded by the local option levy; 25% of the increase and 3.13 FTE are attributable to the General Fund; and 44% of the increase and 11.13 FTE are attributable to Special Funds.

Culture, Education & Recreation expenditures increase by a total of \$3.81 million (12.9%) and staffing increases by 4.25 FTE (special fund). The Cooperative Library program increases by \$2.57 million as a result of the Library Levy and General Fund transfer. The additional resources from the Library Levy result in a funding increase for WCCLS member libraries and a staffing increase of 2.75 FTE. The West Slope Library increases \$91,442 and 1.0 FTE. In addition, Tourism Dedicated Lodging increases \$.693 million and County Fair Complex increases \$.422 million. Metzger Park staffing increases .65 FTE and Hagg Lake decreases .15 FTE.

General Government expenditures increase \$980,158 (2.3%). This includes the addition of 7.02 FTE to keep pace with the growing demands in County Administration, Assessment and Taxation, Information Systems, Facilities Management, Finance Management and Fleet Management.

Land Use, Housing & Transportation reflects a reduction from the 2007-08 adopted budget. The decrease of \$3.39 million or 3.61% includes reductions in the Road fund programs due to declines in capital project activity and the fund's contingency. Similarly, decreases in Development Services and Building Services are due to a combination of lower fund balances and revenues for the 2008-09 fiscal year. In part, this is due to a decline in development activity. Planning includes the addition of 4.0 FTE to address the Board approved work plan. As a result of these and other changes, overall staffing in Land Use and Transportation has been reduced by a net 2.06 FTE.

The \$6.6 million or 10.5% increase in Health & Human Services is mainly due to an increase in Public Health expenses related to non-cash assistance to account for the value of vaccine provided by the state and other Public Health revenue adjustments (\$2.9 million); a \$2.9 million increase in Human Services related to additional state monies for alcohol and drug treatment and developmental disability programs; and a \$.609 million increase in Children and Family Services from state revenues. The proposed budget includes an additional 8.39 FTE; 7.24 FTE in the General Fund (funded by state revenues/grants and fees) and 1.15 FTE in Special Funds.

### **Capital Budget**

The decrease in the Capital Budget of \$5.60 million (4.31%) is due primarily to the completion of a number of transportation projects. MSTIP, OTIA3 Bridge and Information Services Capital program expenditures are reduced based on planned/scheduled activity levels.

### **Non-Operating Budget**

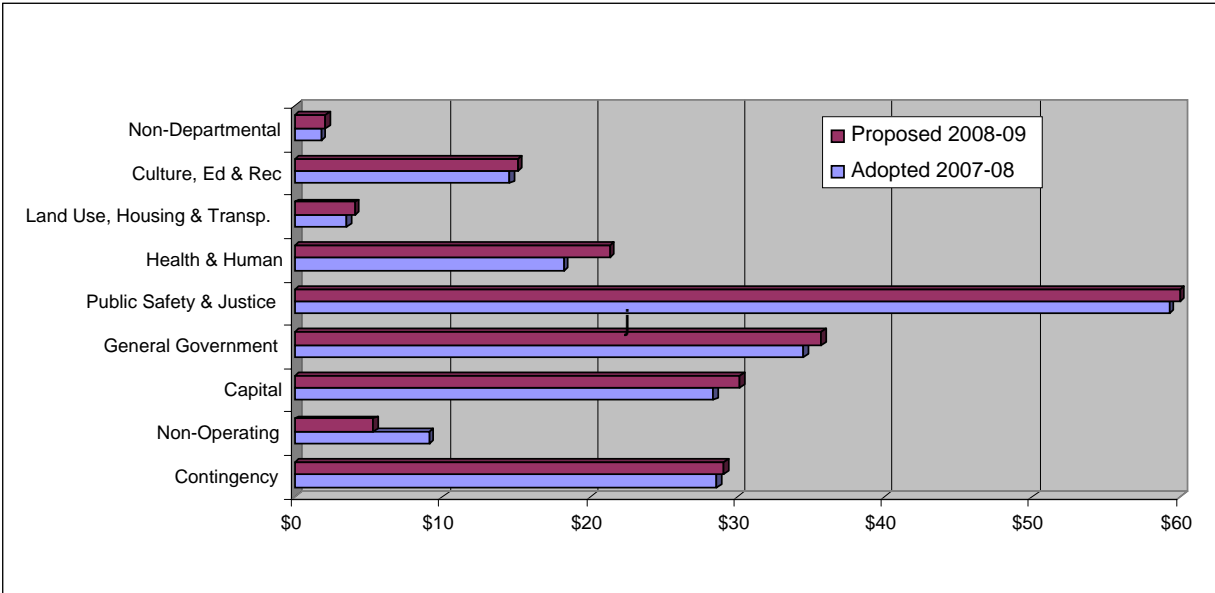
The Non-Operating Budget decreases by \$29.7 million (15.4%) due primarily to a one-time refinancing of the Criminal Justice Bond debt (\$35,375,812) in FY 2007-08. This downward adjustment is offset by a \$3.0 million increase in Risk Management/Insurance funds due primarily to a \$1.5 million adjustment to the Medical Fund (9% blended medical/dental premium adjustment), a \$.866 million increase in the Liability/Casualty fund and a \$.494 million increase in the PERS Stabilization Reserve. General Fund transfers increase \$1.8 million, due partially to a \$1.2 million increase to Community Corrections.

### **Discretionary Resources**

A significant portion of the proposed budget is supported by dedicated, Special Fund resources. These funds must be used for designated purposes and are not available for redistribution to other programs. The balance of the budget (approximately 28%) is funded with the discretionary resources (discretionary revenues, beginning fund balance and Revenue Stabilization Fund). These resources are the primary funding source for base-level Countywide services including Assessment and Taxation, Elections, Sheriff's Office, Jail, District Attorney's Office, Public Health and similar traditional "County" programs.

The current allocation of General Fund (net of transfers) and Revenue Stabilization Reserve Fund resources for the proposed budget is depicted in the graphic below.

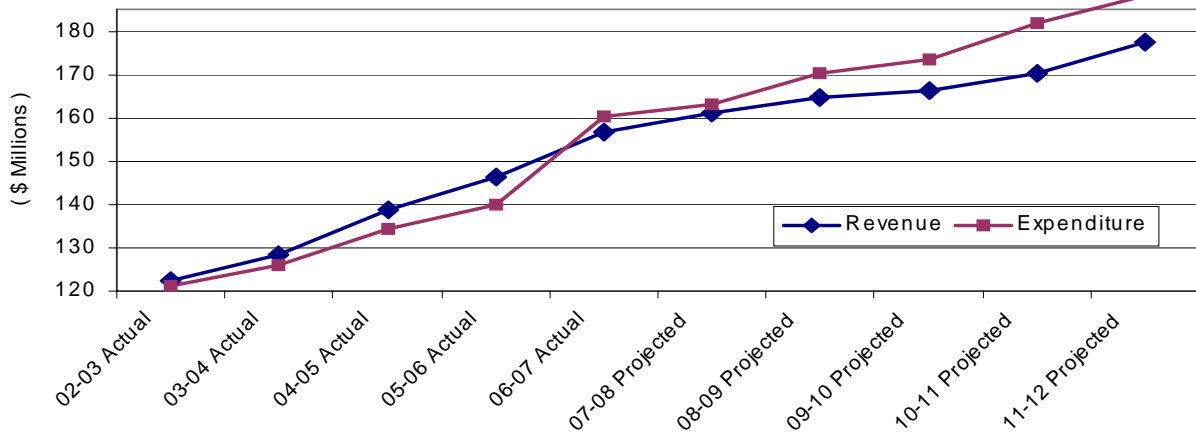
### Total General Fund Expenditures by Area



The 2008-09 proposed budget for the two funds combined (General Fund and Revenue Stabilization Reserve Fund) is \$202.86 million, reflecting an increase of \$8.5 million compared to the 2007-08 adopted budget. The budget is funded by a combination of discretionary revenues (\$130.92 million), departmental revenues (\$33.52 million), beginning fund balance (\$26.64 million) and revenue stabilization (\$11.62 million). The increase is distributed to the following functional areas: General Government \$1.2 million; Public Safety & Justice \$1.43 million; Land Use & Transportation \$.49 million; Health & Human Services \$3.01 million; Culture, Education & Recreation \$19,907; Non-Departmental \$.535 million; and Transfers \$1.83 million.

The graph below provides a comparison of revenues and expenditures, actual and projected, through the 2011-12 fiscal year. Over the next several years, the base operating expenditures for traditional County services are expected to increase, and projected to exceed revenues by a greater margin in future years.

## General Fund Revenues and Expenditures

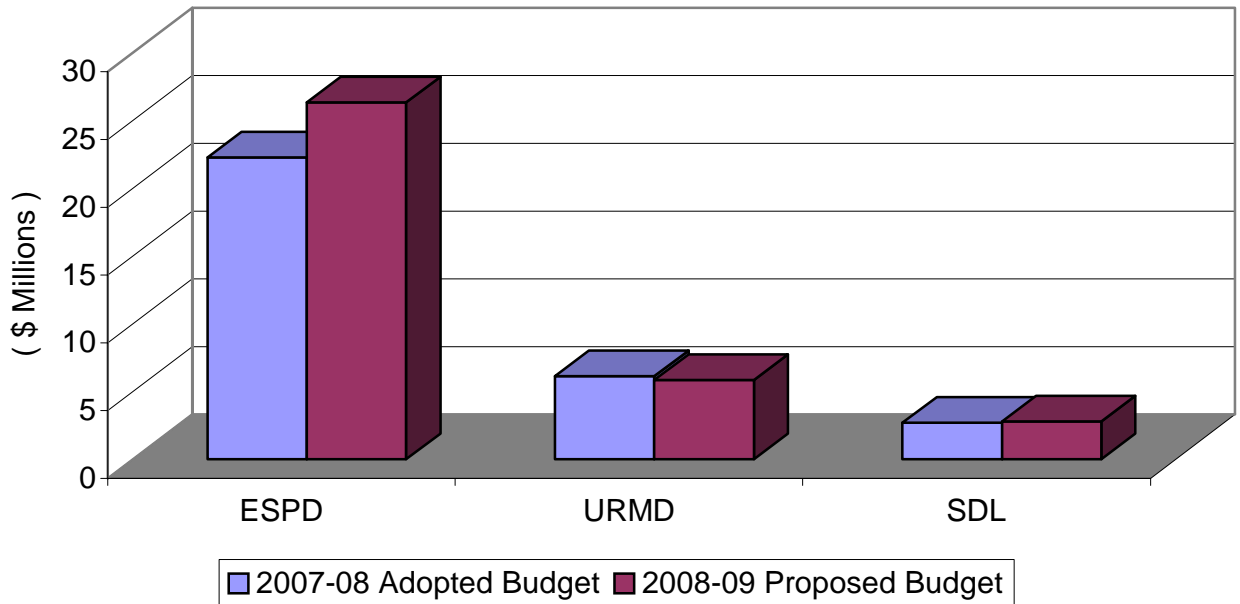


Over time, this combination will result in a reduction of the discretionary fund balance. The current forecast shows the beginning fund balance (including Stabilization Reserve) decreasing from \$38.26 million at the beginning of the 2008-09 fiscal year to approximately \$11.78 million at the beginning of the 2011-12 fiscal year. As in past years, staff will continue to monitor revenues and expenditures, and recommend adjustments to service levels as appropriate to maintain the desired reserve level.

A key component of the County’s financial strategy has been to aggressively manage the level of General Fund expenditures to ensure the fund balance is adequate to meet important goals, including sustaining service levels over the long term. This approach requires departments to filter and limit their budget requests, and results in further reductions by the County Administrative Office. Any decision to allocate discretionary resources from reserve resources must be informed by the County’s overall service priorities, the strategic plan and the long-term sustainability of service levels.

### Special Service Districts

The County’s three special service districts are budgeted separately: the Enhanced Sheriff’s Patrol District (ESPD), Urban Road Maintenance District (URMD), and the Service District for Lighting (SDL). The graph below provides a comparison between the 2008-09 proposed budgets and the 2007-08 adopted budgets for these districts.



These three districts serve the County’s urban unincorporated residents and are funded primarily with property taxes and special assessments. The ESPD and SDL budgets increase \$4.1 million and \$92,935, respectively. The URMD decreases \$316,147.

**In Closing**

The County’s annual budget is much more than a document and producing it each year is a major organization-wide undertaking that spans a period of several months. In closing, it is especially important to acknowledge and express appreciation to the many talented and dedicated employees who put forth the tremendous effort that it takes to “make it happen”. Thank you.

Respectfully submitted,

Robert Davis  
 County Administrator