



King County

2015/2016 BIENNIAL BUDGET

ADOPTED

November 2014

Executive Summary

KING COUNTY, WASHINGTON

Dow Constantine
King County Executive



King County

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KING COUNTY OVERVIEW



King County

King County is the 13th most populous county in the United States and is home to 2,017,250 residents. The county is the economic center of the Puget Sound region and is the home of many well-known businesses, non-profit organizations, and civic institutions, including Microsoft, Amazon, Boeing Commercial Airplanes, Costco, Nordstrom, the Gates Foundation, the Fred Hutchinson Cancer Research Center, and the University of Washington. King County has the ninth largest employment of any county in the United States with 1,223,400 jobs as of December 2013. Among the ten largest counties, King County had the fastest employment growth rate in 2013.

King County government provides two types of services. The County is a regional government providing transit, Superior Courts, prosecution and defense of felonies, corrections, elections, property assessment, licensing, public health, wastewater treatment, solid waste transfer and disposal, human services, regional parks, the King County International Airport (Boeing Field), and other programs for most or all of the county. The County is also a local government for the unincorporated area providing Sheriff's services, District Courts, roads, surface water management, land use and building permitting, prosecution and defense of misdemeanors, local parks, and other services. Many cities contract with the County to provide some of these local services within their jurisdictions. The County has other agencies that oversee and support the direct service agencies, including the County Executive, County Council, King County Information Technology (KCIT), the Department of Executive Services (DES), and the Office of Performance, Strategy and Budget (PSB). Finally, County agencies provide flood control and ferry services under contracts with two separate governments: the King County Flood Control District and the King County Ferry District¹. Despite its title, the King County Library System is a separate government and is not administered by King County.

¹ As part of the 2015/2016 budget process, the Ferry District is being merged into County government.

ECONOMIC AND FISCAL SITUATION



King County

King County's economy is rapidly improving and has recovered from the Great Recession of 2008. Preliminary November 2014 data show the County's unemployment rate to be 4.4 percent, compared with 6.2 percent for the state and 5.8 percent for the nation. While some individuals remain under-employed and while wage growth has been stagnant in several economic sectors, the county is experiencing strong growth in software, technology, retail, construction, and hospitality services. Aerospace, education, business services, and health care sectors also are major components of the regional economy.

A resurgent housing market is fueling growth in property values. The latest forecast from the Office of Economic and Financial Analysis (OEFA) predicts growth in assessed property value to be 11.72 percent between 2014 and 2015. According to the Assessor's Office, growth in property values is occurring countywide, rather than being restricted to some neighborhoods in Seattle, Bellevue, and nearby cities, which was the case in 2012 and 2013. New construction is expected to add about \$4.2 billion to the tax rolls in 2015, well above amounts during the Great Recession but still well below the peak period in the mid-2000s.

Similarly, the County is experiencing considerable growth in the sales tax base. The latest OEFA forecast is for 5.96 percent growth in 2014 and 4.97 percent growth in 2015. This growth is broad-based, with particular strength in construction, hotels, motor vehicles, and various retail sectors.

Despite this strong economic growth, the revenue for many King County funds is growing only sluggishly. This is largely because of the structure of revenues available to the County under State law, which is mostly based on economic models from the 1930s.

STATE AND LOCAL TAXES PER \$1000 OF PERSONAL INCOME OVER TIME

Figure 1



Source: US Census Bureau

The effects of this structure and various tax limitation measures can be seen in Figure 1, which shows the trend in state and local taxes per \$1,000 of personal income. The U.S. Census Bureau collects data about this combined state and local tax burden on an annual basis.¹ In 1991, Washington's combined state and local tax burden was \$121.75 per \$1,000 of personal income. This was about 8% higher than the national average of \$112.67. As can be seen in Figure 1, Washington stayed above the national average until 2000. Since then, Washington's tax burden has been substantially below the national average. By 2011, this figure had declined to \$98.95 per \$1,000 of personal income, 9% less than the national average of \$108.31.

Viewing this information in another way, the national average tax burden has moved in a fairly narrow range between 1991 and 2011, with changes driven largely by economic conditions. Washington shows some of the same economic effects, but with a 19% decline in tax burden over the period. Washington now ranks 35th among the 50 states in state and local tax burden.²

Legislatively-imposed limitations on local revenues are a major factor behind this decline in tax burden. The most notable of these was the enactment of Initiative 747, which limited annual growth in property tax revenues to 1 percent, plus the value of new construction.³ This has been particularly burdensome for county governments because property tax is by far the largest authorized source of General Fund revenue. I-747 was ruled unconstitutional in 2007, but its provisions were reenacted by the Legislature immediately thereafter.

¹ This analysis was not done in 2001 or 2003. As of this writing, the latest data available is for 2011.

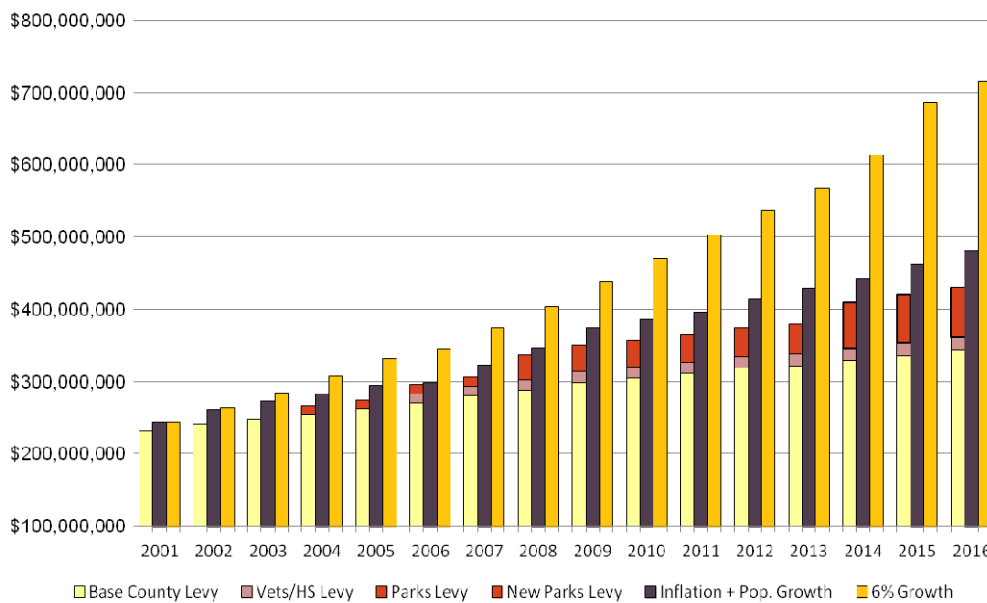
² The Tax Foundation, an independent non-profit organization, prepares these calculations in a slightly different way. Their analysis for 2011 ranks Washington 27th, still below the national average. Most of the difference appears to be due to how payments by residents of one state to other states are calculated.

³ I-747 was approved statewide by 57.6% of the voters, but failed in King County with only a 48.3% "yes" vote.

The 1 percent property tax revenue growth limit has had a significant effect on revenues for the County's General Fund. For the 2015/2016 biennium, property taxes are projected to be 43 percent of the General Fund's revenue, more than double any other revenue source. Capping property tax revenue growth so far below the rate of inflation and population growth (typically 3.0-3.5 percent per year) has led to continued reductions in County services, despite significant efficiencies achieved in recent years.

KING COUNTY GENERAL FUND PROPERTY TAX LEVIES (REGULAR)

Figure 2



The County has used the property tax levy lid lift as a tool to maintain some programs. The levy lid lift is a ballot measure submitted to the voters that temporarily raises property taxes for a specified purpose. As can be seen in [Figure 2](#), the County's voters have approved levy lid lifts for parks and for veterans and human services programs on multiple occasions.⁴ These ballot measures have allowed funding for programs to continue, offsetting cuts in General Fund support. In 2001, the General Fund provided \$25.7 million for parks. By 2011, parks had been eliminated from the General Fund budget. Similarly, General Fund support for human services peaked at \$20.1 million in 2005. By 2011, this support had declined to about \$1 million.⁵

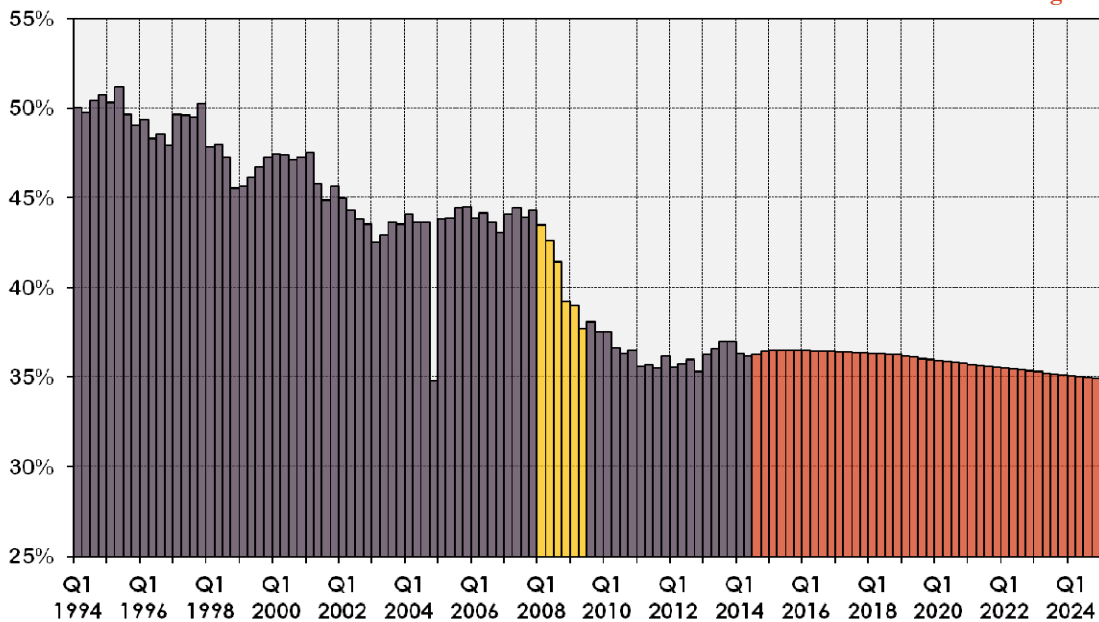
⁴ The County has two other levy lid lifts that are not shown in Figure 2. The Automated Fingerprint Identification System (AFIS) levy has been in place for decades and long predates the 1% limit. The levy for the Children & Family Justice Center is for a capital project and does not support the operating budget. Counties in Washington have little capacity to fund major capital projects from existing revenues, so projects such as courthouses and jails are typically financed with voter-approved property taxes.

⁵ These figures do not include the Children and Family "set-aside", a diversion of some General Fund revenue to a separate fund. This fund is being merged into the General Fund for 2015/2016 to improve budget transparency. Including this set-aside in the figures would increase the totals but not change the trend.

Despite voter approval of levy lid lifts, property tax collections have lagged behind inflation and population growth. After including the parks and veterans and human services lid lifts, the 2015 levy is about \$42 million less than it would have been had property tax revenues kept up with inflation and population growth since 2001. Under the 6% limit that was in place for most of the 1980s and 1990s, property tax revenue could have been nearly \$236 million more in 2015 than will actually be received.

SALES TAX BASE AS A PERCENTAGE OF PERSONAL INCOME

Figure 3

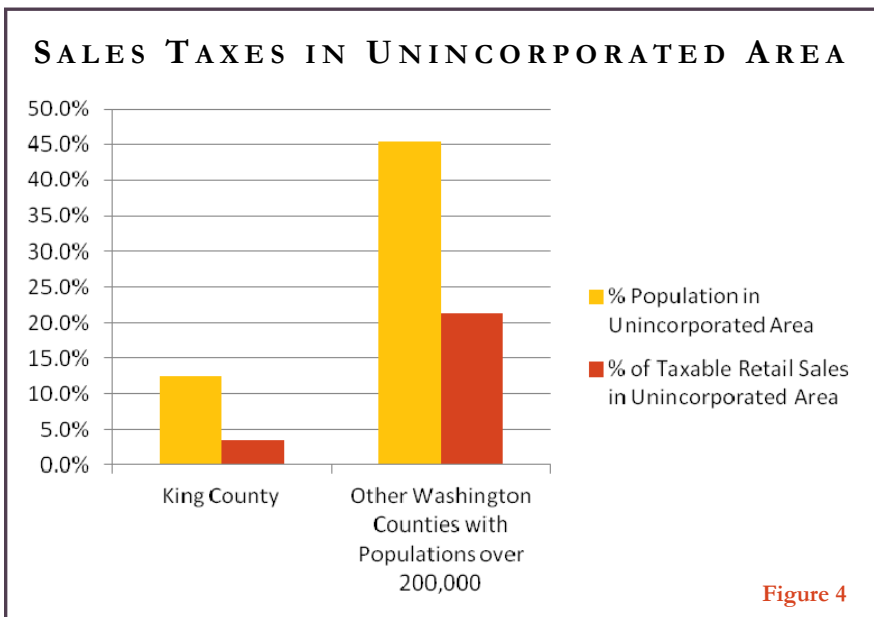


Source: Puget Sound Economic Forecaster

Another trend that is affecting County revenues is the decreasing share of personal income subject to the sales tax. The sales tax was instituted in the 1930s and is based largely on purchases of goods. Over time, spending patterns have shifted to services and investments, and some goods purchases have escaped sales taxes by being

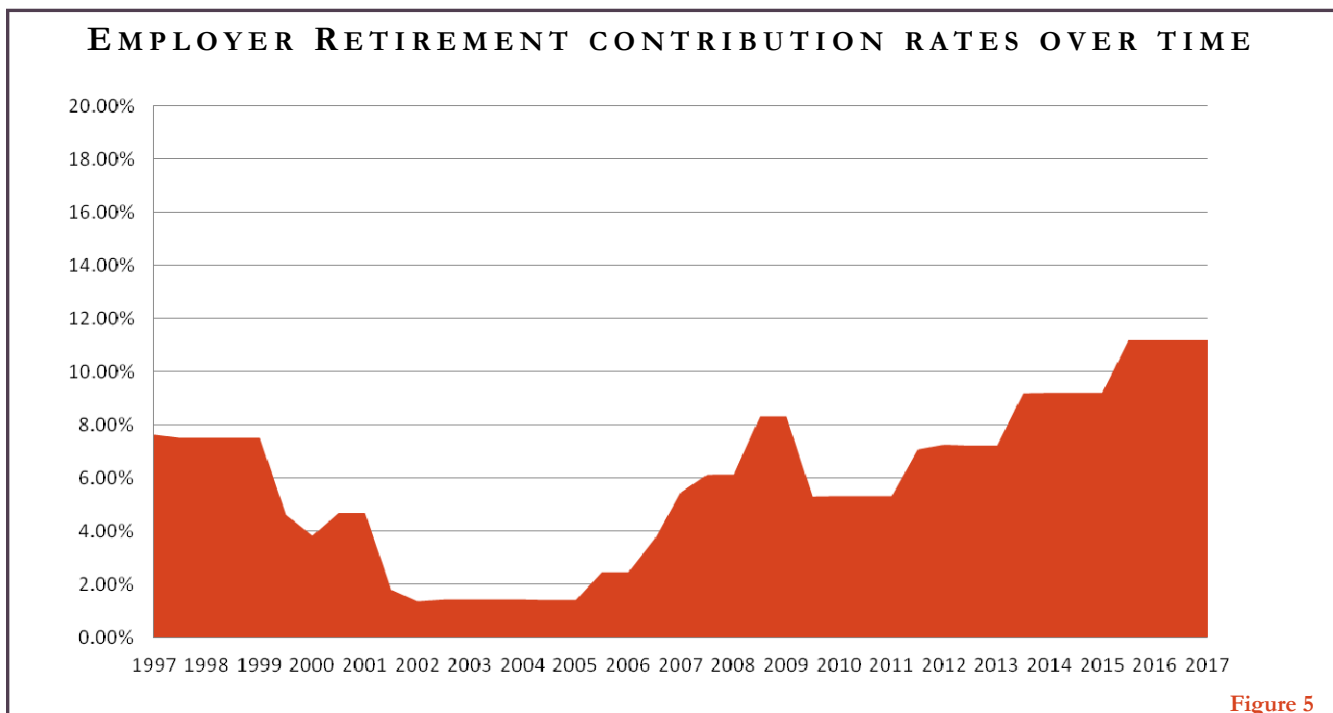
done through mail order or over the Internet. Figure 3 shows the trend in the share of King County personal income spent on items subject to the sales tax.

In the mid-1990s, about 50 percent of every dollar of personal income was spent on items subject to the sales tax. This gradually declined to about 44 percent through 2007, then plunged during the Great Recession. Unlike in prior recessions, it has not recovered substantially as the economy has improved, continuing to hover around 37 percent. Most economists attribute this to increased emphasis on saving. In King County, it is also affected by demographic trends and purchasing patterns. King County is attracting many young individuals, who often have significant college debt and thus less income to spend on taxable items. These individuals also have different purchasing patterns, preferring smaller housing and often foregoing car ownership. This reduces purchases of taxable items such as vehicles, appliances, and furniture. As a result of these trends, the very strong sales tax growth seen in previous economic recoveries (often exceeding 10 percent annually), appears unlikely to occur again.



King County is also unique among Washington counties in having almost no sales tax base in unincorporated areas. As shown in [Figure 4](#), King County has only about 12.5 percent of its population in the unincorporated area, compared to an average of 45.3 percent for the other eight counties with populations over 200,000. Even more remarkably, only 3.6 percent of taxable retail sales occur in unincorporated King County, versus an average of 21.4 percent for the other counties. These differences are likely due to the more complete implementation of the State Growth Management Act in King County,

which calls for urban areas to become part of cities. The significance of this difference is that counties receive the entire 1.0 percent local sales tax rate on sales in unincorporated areas, while receiving only 0.15 percent on sales within cities. As a result of its adherence to the Growth Management Act, King County's General Fund sales tax revenue is much less than it otherwise would be.



A final fiscal effect is the rapid increase in contribution rates to State retirement systems. King County employees are members of several different State systems, the largest of which is the Public Employees Retirement System (PERS). As seen in [Figure 5](#), employer retirement contribution rates were 7.5 percent in

the late 1990s. Due to favorable investment returns during the “dot.com bubble”, and later because of severe financial stress caused by the post-9-11 recession, the State lowered employer contribution rates to PERS to 1.4 percent in the early 2000s. This action, and some increases in benefits for older retirees, created unfunded liabilities in PERS 1, a plan that closed to new members in 1977. Employer contribution rates have gradually risen over the last few years.

In the summer of 2014, the State Actuary released the results of an experience study of the State’s pension plans. The study showed that individuals were generally living longer, a favorable result but one that increases pension liabilities. This has led to a further increase in employer contribution rates, with rates of 11.2 percent projected by mid-2015. Further increases in subsequent years are expected. This places additional pressure on County funds.

2015/2016 ADOPTED BUDGET



King County

The 2015/2016 Budget is the first fully biennial budget in the County's history. The County has been moving to this model gradually for about a decade. Most County funds had a biennial budget for 2013/2014, but some of the more visible funds, including the General Fund and Public Health Fund, still had annual budgets. The 2015/2016 Budget will be a true 24-month budget, not two one-year budgets approved at the same time. The County's experience with biennial budgeting shows that it promotes longer-term planning, allows more flexibility for gradual implementation of program changes, and significantly reduces management and staff time spent on the budget in off-years, which can then be applied to other priorities.

King County's budget is complex due to legal and policy restrictions on the use of funds. Many revenues can only be used for specified purposes. For example, revenues received from cities and sewer districts for wastewater conveyance and treatment can only be used for those and related purposes. Sales tax revenues from the 0.9 percent transit sales tax can only be used to provide transit services. Property tax revenues from voter-approved levy lid

lifts, such as the levy to build a new Children and Family Justice Center that was approved in August 2012, must be used for the purposes specified in the ballot measure.

TOTAL BUDGET REVENUES BY TYPE

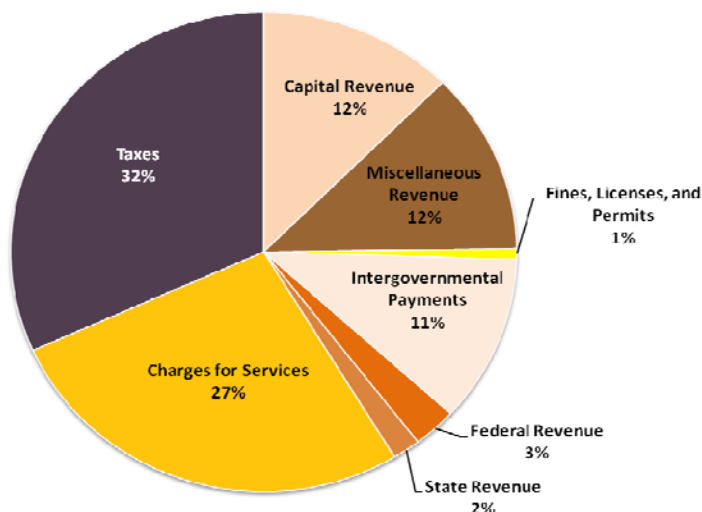


Figure 6

Figure 6 shows the sources of revenue for the County's overall budget. Because the County provides a wide array of services, its revenue sources vary widely. Taxes are the largest source, which account for about 32 percent of total revenue, followed by user charges such as transit fares and solid waste fees, which account for about 27 percent of the total.

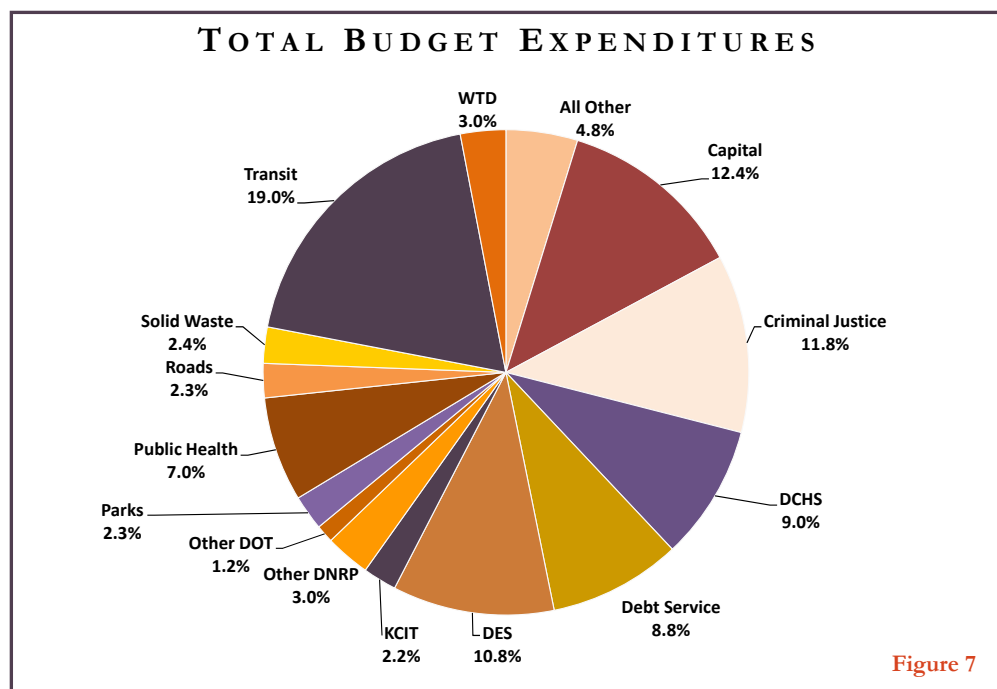


Figure 7 shows the \$8.9 billion 2015/2016 Adopted Budget for the entire County, organized by agency and function, with internal transfers removed to avoid double-counting. Metro Transit is the single largest budget, representing nearly 19 percent of the total. The combined capital budgets account for 12 percent and represent spending on physical projects such as wastewater treatment facilities and remodeling of County buildings. The criminal justice function accounts for another 12 percent. Debt service (principal and interest payments on borrowed funds) is about 9 percent of the total budget and is largely associated with the wastewater treatment function.

The County's only truly flexible source of money is the General Fund. The 2015/2016 Adopted Budget for the General Fund is \$1.5 billion. The General Fund supports the traditional functions of county governments in Washington, including the Sheriff's Office, Superior and District Courts, the Prosecuting Attorney's Office, the Department of Public Defense, corrections, Assessments, Elections, and various administrative functions.

Figure 8 shows the revenue sources for the General Fund. Property taxes are by far the largest source, accounting for 43 percent of total revenue. Charges for service, including court fees and payments from other County agencies for General Fund services, represent about 19 percent. Sales taxes provide about 15 percent. Intergovernmental payments, which are mostly payments from cities for services provided by the Sheriff's Office, the Department of Adult and Juvenile Detention (DAJD), and District Court, comprise about 12 percent of the total. All other revenue sources are only about 11 percent. The General Fund receives very little revenue from the federal or state governments.

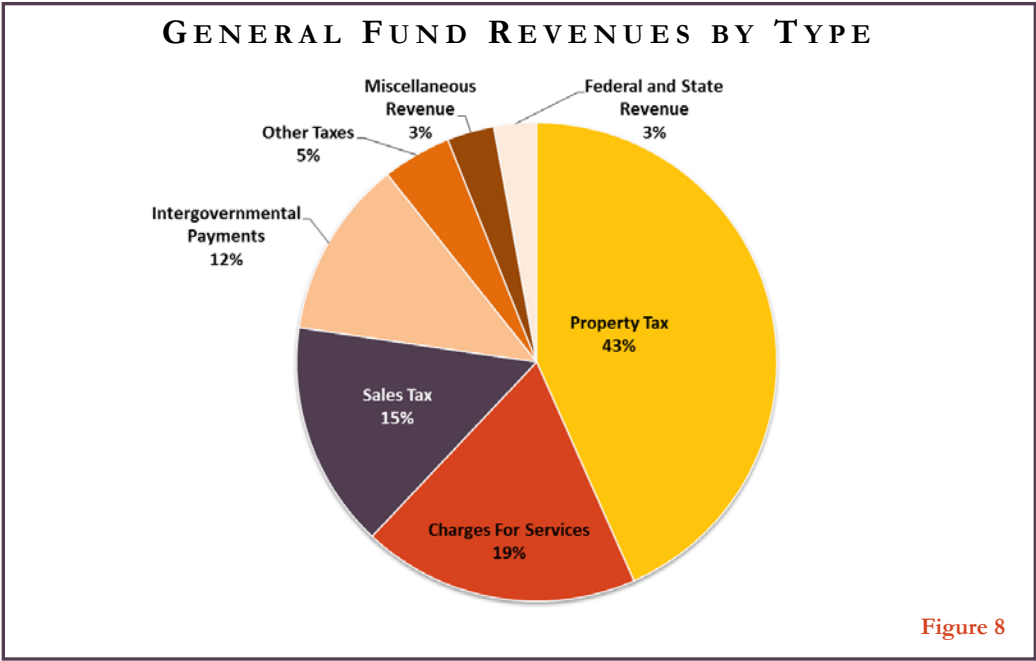
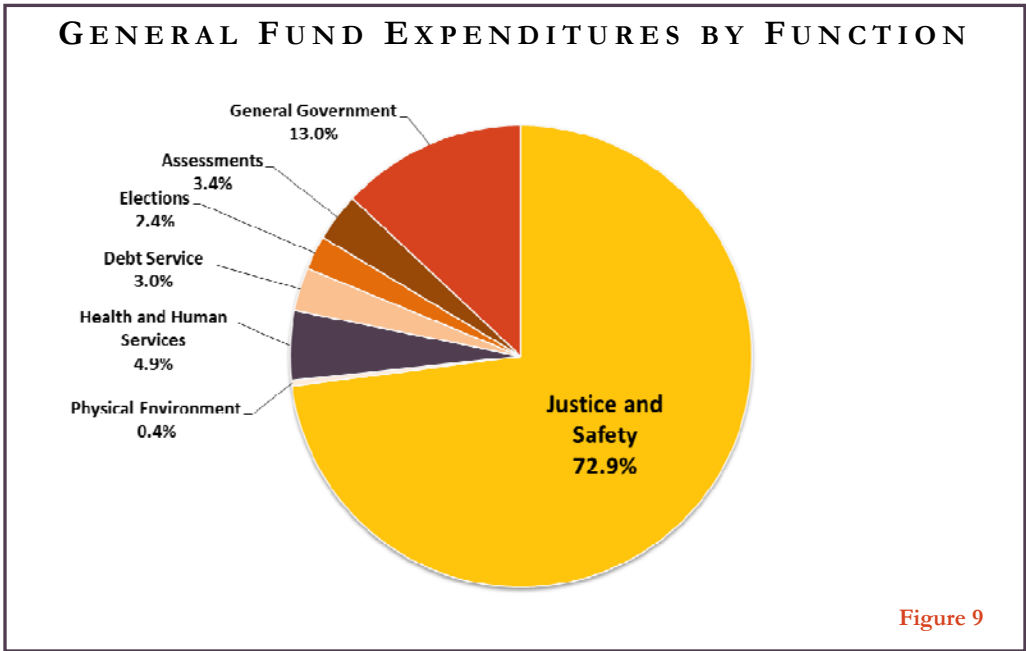


Figure 9 shows 2015/2016 Adopted General Fund spending by function. As has been true for many years, justice and safety agencies account for nearly three-fourths of the total budget. The health and human services portion appears larger than in recent years, but this is an artifact of reorganizing the budget to improve transparency. For many years, some General Fund revenue was diverted to a separate fund for human services (the “Children and Family set-aside”) and did not appear in the General Fund budget. For 2015/2016, this revenue and the related expenditures are retained in the General Fund to provide a more accurate view of the General Fund budget.



DIRECT GENERAL FUND EXPENDITURES BY FUNCTION

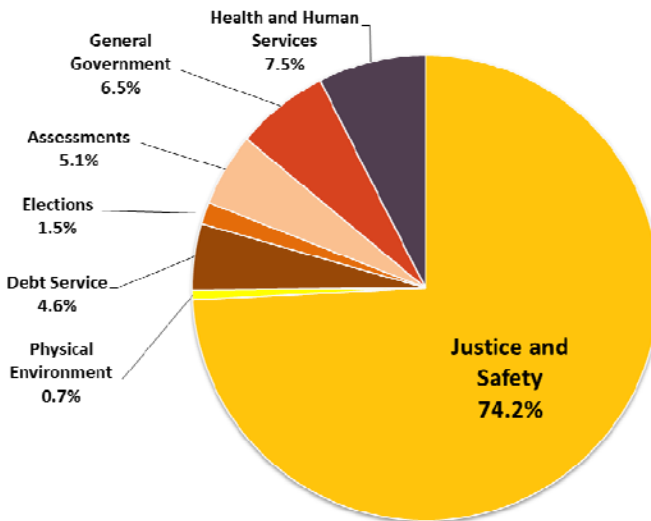


Figure 10

Figure 10 looks at General Fund expenditures in a different way. This figure removes expenditures that are supported by contracts for services (mostly with cities) and those supported by charges to other County funds (such as the Prosecuting Attorney's Office's charges to agencies for civil legal services). The "net" 2015/2016 Adopted General Fund Budget is about \$985 million when viewed in this way. Justice and safety programs still comprise about three-fourths of the budget, with DAJD being by far the largest single expense at about \$225 million. In this "net" view, health and human services now represent a larger portion of the General Fund budget and general government expenses are a much smaller share. Most of the general government agencies, such as the Human Resources Division and County Auditor's Office, support the entire government and charge to many different funds even though they are budgeted in the General Fund, so their share of the General Fund is much smaller when viewed in this context.

Figure 11 tracks General Fund expenditures since 2001. These figures have been revised to combine annual budgets into biennial figures. The figures also are presented on the same basis as the 2015/2016 Adopted Budget. This requires two adjustments to prior budgets. First, the Children and Family set-aside described previously is added to the General Fund. Second, General Fund debt service was treated as a "negative revenue" prior to 2013, which reduced the amount of property tax revenue reported for the General Fund. Debt service thus was not reported as a General Fund expenditure. The 2015/2016 Adopted Budget treats General Fund debt service as an expenditure and shows total General Fund property tax receipts as a revenue, and this approach is included in Figure 11.

Figure 11 shows that General Fund expenditures grew in the mid-2000s as the economy recovered from the recession earlier in the decade. General Fund spending declined somewhat during the Great Recession and has recovered slightly since then. The General Fund budget is proposed to increase by about 5.76 percent from 2013/2014 to 2015/2016, corresponding to an annual growth rate of about 2.84 percent. As noted earlier, limitations of revenue sources mean that the General Fund grows slowly despite a strong economy.

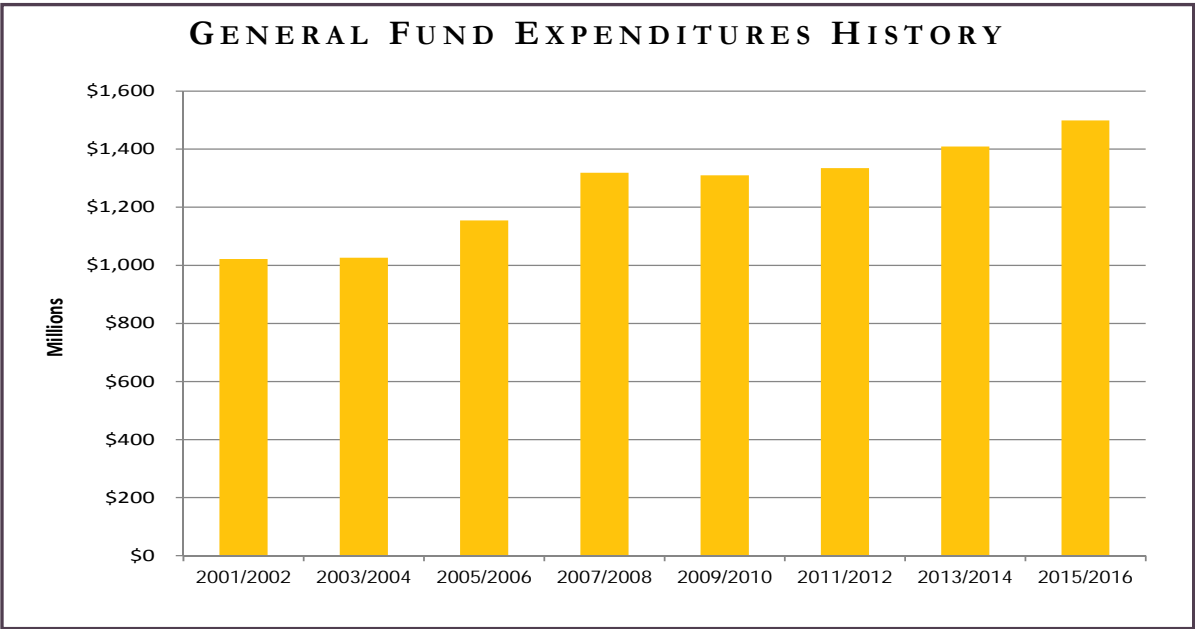
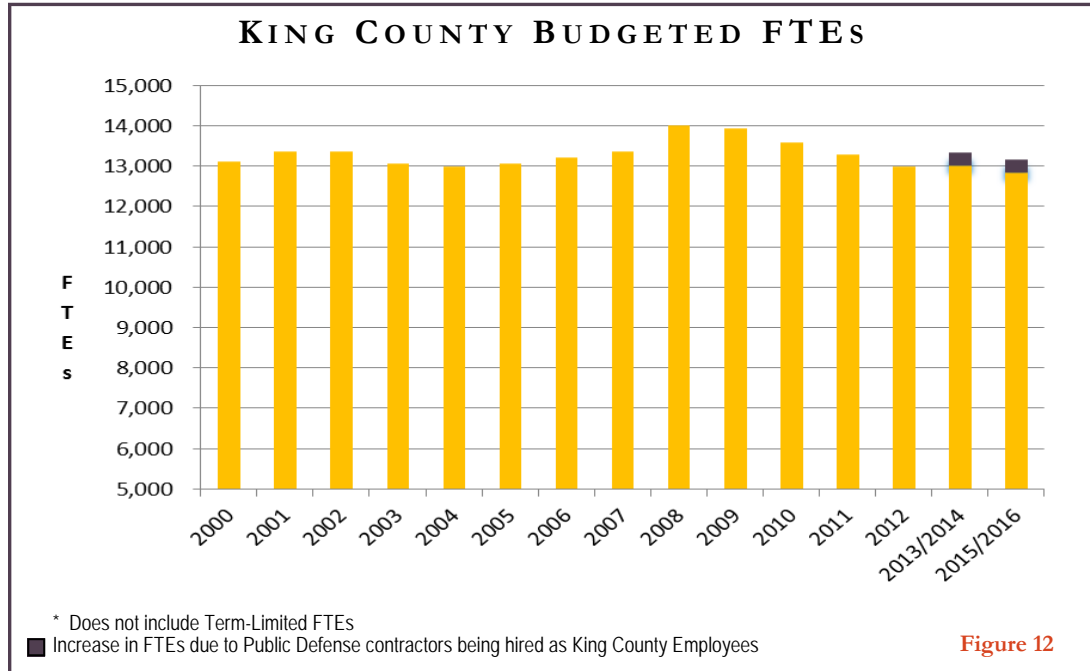


Figure 11

Figure 12 shows County employment as measured by “full-time equivalent” (FTE) employees since 2000⁶. Employment reached a peak of about 14,000 FTEs in 2008 and has generally declined in recent years. The apparent increase in 2013/2014 is due to creating a Department of Public Defense with about 400 employees, instead of contracting with non-profit organizations for this service. Without this effect, FTEs would have declined steadily since 2008.

⁶ For example, an employee working half-time (20 hours per week) is 0.5 FTE.



The 2015/2016 Adopted Budget includes a net reduction of 90 FTEs. However, the number of positions being eliminated is much higher than this because there are large position additions to the Department of Natural Resources and Parks and to the Transit Division to operate the extension of Sound Transit's light rail system in 2016. When these effects are removed, the number of positions being eliminated is approximately 410. The job cuts are widely distributed, with large numbers in Transit, Public Health, Roads, and DAJD. In many cases, County managers have been holding positions vacant in anticipation of reductions, and in other cases agencies will phase in the position reductions over the biennium. These actions are intended to reduce the number of actual layoffs.

APPROPRIATIONS BY PROGRAM PLAN AREA, APPROPRIATION UNIT GENERAL FUND

| | 2013/2014 ADOPTED | 2015/2016 ADOPTED | AMOUNT OF CHANGE | PERCENT CHANGE |
|---|-------------------------|-------------------------|----------------------|-------------------|
| GENERAL GOVERNMENT | | | | |
| ASSESSMENTS | \$ 47,965,167 | \$ 50,803,690 | \$ 2,838,523 | 6% |
| BOUNDARY REVIEW | 691,791 | 741,124 | 49,332 | 7% |
| BOARD OF APPEALS | 1,458,849 | 1,508,638 | 49,790 | 3% |
| CABLE COMMUNICATIONS | 649,080 | 683,417 | 34,337 | 5% |
| COUNCIL ADMINISTRATION | 26,810,686 | 29,772,946 | 2,962,261 | 11% |
| COUNTY AUDITOR | 3,746,933 | 4,576,008 | 829,075 | 22% |
| COUNTY COUNCIL | 3,340,974 | 3,581,430 | 240,456 | 7% |
| COUNTY EXECUTIVE | 516,713 | 555,537 | 38,824 | 8% |
| EASTSIDE RAIL CORRIDOR | - | 599,139 | 599,139 | N/A |
| ELECTIONS | 38,370,249 | 35,826,000 | (2,544,249) | -7% |
| OFFICE OF EQUITY AND SOCIAL JUSTICE | - | 1,126,572 | 1,126,572 | N/A |
| EXECUTIVE SERVICES ADMINISTRATION | 5,683,883 | 5,970,043 | 286,160 | 5% |
| FEDERAL LOBBYING | 480,000 | 520,000 | 40,000 | 8% |
| FMD PARKING FACILITIES | - | 5,741,643 | 5,741,643 | N/A |
| GENERAL GOVERNMENT FUND TRANSFER | 53,167,438 | 51,258,000 | (1,909,438) | -4% |
| HEARING EXAMINER | 1,182,395 | 1,102,616 | (79,779) | -7% |
| HUMAN RESOURCES | 11,987,355 | 14,676,569 | 2,689,214 | 22% |
| INTERNAL SUPPORT | 31,966,524 | 32,483,694 | 517,170 | 2% |
| KC CIVIC TELEVISION | 1,187,111 | 1,386,463 | 199,353 | 17% |
| LABOR RELATIONS | 5,062,695 | 5,784,155 | 721,459 | 14% |
| MEMBERSHIPS AND DUES | 1,524,115 | 1,523,024 | (1,091) | 0% |
| OFFICE OF ECONOMIC AND FINANCIAL ANALYSIS | 773,274 | 982,049 | 208,775 | 27% |
| OFFICE OF LAW ENFORCEMENT OVERSIGHT | 1,575,870 | 1,450,235 | (125,635) | -8% |
| BUDGET | 16,479,437 | 20,453,048 | 3,973,610 | 24% |
| OFFICE OF THE EXECUTIVE | 9,050,182 | 10,201,448 | 1,151,266 | 13% |
| OMBUDSMAN TAX ADVISOR | 2,514,619 | 2,605,014 | 90,395 | 4% |
| REAL ESTATE SERVICES | 7,047,736 | 7,665,331 | 617,594 | 9% |
| RECORDS AND LICENSING SERVICES | 17,784,167 | 20,879,439 | 3,095,272 | 17% |
| STATE EXAMINER | 1,911,666 | 1,973,146 | 61,480 | 3% |
| TOTAL GENERAL GOVERNMENT | 292,928,911 | 316,430,417 | 23,501,506 | 8% |
| HEALTH AND HUMAN SERVICES | | | | |
| HUMAN SVCS GF TRANSFER * | 5,091,455 | 14,935,000 | 9,843,545 | 193% |
| PUB HEALTH AND EMERG SERVICES TRANSFER | 52,283,068 | 57,959,000 | 5,675,932 | 11% |
| TOTAL HEALTH AND HUMAN SERVICES | 57,374,523 | 72,894,000 | 15,519,477 | 27% |
| LAW, SAFETY AND JUSTICE | | | | |
| ADULT AND JUVENILE DETENTION | 265,607,025 | 273,433,858 | 7,826,834 | 3% |
| DISTRICT COURT | 61,651,275 | 64,553,783 | 2,902,508 | 5% |
| DRUG ENFORCEMENT FORFEITS | 2,143,809 | 2,048,530 | (95,279) | -4% |
| INMATE WELFARE ADMIN | 3,492,525 | 3,984,898 | 492,373 | 14% |
| JAIL HEALTH SERVICES | 51,018,649 | 56,920,467 | 5,901,819 | 12% |
| JUDICIAL ADMINISTRATION | 40,382,176 | 43,120,030 | 2,737,854 | 7% |
| JUVENILE INMATE WELFARE | 12,500 | 8,000 | (4,500) | -36% |
| OFFICE OF EMERGENCY MANAGEMENT | 4,814,253 | 4,895,920 | 81,668 | 2% |
| PAO ANTIPROFITEERING | 239,794 | 119,897 | (119,897) | -50% |
| PROSECUTING ATTORNEY | 127,042,602 | 134,845,509 | 7,802,908 | 6% |
| PUBLIC DEFENSE | 90,242,830 | 109,173,002 | 18,930,172 | 21% |
| SHERIFF | 288,599,889 | 301,003,020 | 12,403,132 | 4% |
| SUCCESSION PLANNING | 1,167,725 | 1,378,626 | 210,901 | 18% |
| SUPERIOR COURT | 93,572,303 | 98,299,857 | 4,727,553 | 5% |
| TOTAL LAW, SAFETY AND JUSTICE | 1,029,987,353 | 1,093,785,398 | 63,798,046 | 6% |
| PHYSICAL ENVIRONMENT & CIP TRANSFERS | | | | |
| PHYSICAL ENV GF TRANSFERS | 5,169,689 | 5,884,326 | 714,637 | 14% |
| CIP GF TRANSFER | 18,341,562 | 10,749,000 | (7,592,562) | -41% |
| TOTAL PHYSICAL ENVIRONMENT & CIP | 23,511,251 | 16,633,326 | (6,877,925) | -29% |
| ROUNDING TO ORDINANCE | | 17,859 | 17,859 | |
| TOTAL GENERAL FUND | \$ 1,403,802,037 | \$ 1,499,761,000 | \$ 95,958,963 | 7% |

Figure 13 shows adopted 2015/2016 General Fund appropriations by agency.

Figure 13

* Reflects inclusion of children and family set-aside in 2015/2016 General Fund Budget

APPROPRIATIONS BY PROGRAM AREA, APPROPRIATION UNIT NON-GENERAL FUND

| | 2013/2014 ADOPTED | 2015/2016 ADOPTED | AMOUNT OF CHANGE | PERCENT CHANGE |
|---|----------------------|----------------------|---------------------|-------------------|
| GENERAL GOVERNMENT | | | | |
| ANIMAL BEQUESTS | \$ 280,000 | \$ 280,000 | \$ - | 0% |
| ARTS AND CULTURAL DEVELOPMENT | 4,640,100 | 23,511,322 | 18,871,222 | 407% |
| BUSINESS RESOURCE CENTER | 30,324,445 | 25,696,005 | (4,628,440) | -15% |
| GEOGRAPHIC INFORMATION SYSTEM | 11,512,114 | 14,654,259 | 3,142,145 | 27% |
| EMPLOYEE BENEFITS | 476,998,507 | 527,545,265 | 50,546,759 | 11% |
| FACILITIES MANAGEMENT | 97,313,210 | 97,843,566 | 530,356 | 1% |
| FINANCE AND BUSINESS OPERATIONS | 56,070,712 | 57,165,995 | 1,095,283 | 2% |
| GRANTS GENERAL GOVERNMENT | 49,104,395 | 10,914,007 | (38,190,388) | -78% |
| I-NET | 5,956,826 | 4,882,964 | (1,073,862) | -18% |
| KCIT TECHNOLOGY SVCS * | 129,699,891 | 176,761,000 | 47,061,109 | 36% |
| LIMITED GO BOND REDEMPTION | 322,239,695 | 248,434,455 | (73,805,240) | -23% |
| OFFICE OF INFO RESOURCE MGMT * | 12,079,423 | - | (12,079,423) | -100% |
| RECORDERS OPERATION AND MAINTENANCE | 3,518,315 | 4,442,777 | 924,462 | 26% |
| REGIONAL ANIMAL SERVICES | 13,085,112 | 14,197,854 | 1,112,742 | 9% |
| RISK MANAGEMENT | 62,919,789 | 66,729,294 | 3,809,504 | 6% |
| SAFETY AND CLAIMS MANAGEMENT | 77,525,449 | 73,808,533 | (3,716,916) | -5% |
| UNLIMITED GO BOND REDEMPTION | 40,264,381 | 34,040,625 | (6,223,757) | -15% |
| TOTAL GENERAL GOVERNMENT | 1,393,532,364 | 1,380,907,920 | (12,624,444) | -1% |
| HEALTH AND HUMAN SERVICES | | | | |
| HUMAN SERVICES | 3,836,202 | - | (3,836,202) | -100% |
| COMMUNITY AND HUMAN SERVICES ADMINISTRATION | 6,814,265 | 10,735,417 | 3,921,152 | 58% |
| COMMUNITY SERVICES OPERATING | 9,549,263 | 10,441,254 | 891,991 | 9% |
| DCHS ALCOHOLISM AND SUBSTANCE ABUSE | 57,513,954 | 65,674,213 | 8,160,259 | 14% |
| DEVELOPMENTAL DISABILITIES | 55,100,017 | 60,904,430 | 5,804,413 | 11% |
| EMERGENCY MEDICAL SERVICES | 145,455,165 | 149,615,282 | 4,160,117 | 3% |
| EMPLOYMENT EDUCATION RESOURCE | 23,431,575 | 22,680,757 | (750,818) | -3% |
| ENVIRONMENTAL HEALTH SERVICES ** | - | 46,593,880 | 46,593,880 | N/A |
| FEDERAL HOUSING AND COMMUNITY DEVELOPMENT | 38,230,343 | 35,152,971 | (3,077,372) | -8% |
| HOUSING OPPORTUNITY FUND | 69,497,049 | 63,996,133 | (5,500,916) | -8% |
| HUMAN SERVICES LEVY | 18,540,410 | 17,707,122 | (833,288) | -4% |
| LOCAL HAZARDOUS WASTE | 33,822,357 | 36,398,706 | 2,576,349 | 8% |
| MEDICAL EXAMINER | 12,972,953 | 11,244,912 | (1,728,041) | -13% |
| MENTAL HEALTH | 341,848,040 | 421,280,602 | 79,432,562 | 23% |
| MENTAL HEALTH AND SUBSTANCE ABUSE MIDD | 9,898,709 | 9,990,469 | 91,761 | 1% |
| MENTAL ILLNESS AND DRUG DEPENDENCY FUND | 74,359,900 | 82,227,350 | 7,867,450 | 11% |
| PUBLIC HEALTH ** | 481,753,452 | 331,879,756 | (149,873,696) | -31% |
| VETERAN AND FAMILY LEVY | 19,360,630 | 17,719,145 | (1,641,485) | -8% |
| VETERANS SERVICES | 6,363,312 | 6,341,641 | (21,671) | 0% |
| TOTAL HEALTH AND HUMAN SERVICES | 1,408,347,596 | 1,400,584,038 | (7,763,557) | -1% |
| LAW, SAFETY AND JUSTICE | | | | |
| 2012 JAG GRANT | 138,366 | - | (138,366) | -100% |
| 2013 JAG GRANT | 191,835 | - | (191,835) | -100% |
| 2014 JAG GRANT | - | 201,712 | 201,712 | N/A |
| AUTOMATED FINGERPRINT IDENTIFICATION SYSTEM | 33,048,418 | 35,649,040 | 2,600,622 | 8% |
| DAJD MIDD | 658,928 | 734,727 | 75,799 | 12% |
| DISTRICT COURT MIDD | 2,093,513 | 2,114,914 | 21,402 | 1% |
| PUBLIC DEFENSE MIDD | 3,534,230 | 2,981,062 | (553,168) | -16% |
| ENHANCED 911 | 53,874,889 | 59,535,965 | 5,661,076 | 11% |
| GRANTS LSI | 23,095,250 | 20,338,577 | (2,756,673) | -12% |
| JAIL HEALTH SERVICE MIDD | 7,720,364 | 5,690,225 | (2,030,139) | -26% |
| JUDICIAL ADMIN MIDD | 3,104,788 | 3,324,638 | 219,850 | 7% |
| PROSECUTING ATTORNEY MIDD | 2,519,800 | 2,529,720 | 9,920 | 0% |
| RADIO COMMUNICATIONS | 6,763,409 | 9,102,961 | 2,339,553 | 35% |
| SHERIFF MIDD | 285,286 | 333,176 | 47,890 | 17% |
| SUPERIOR COURT MIDD | 3,312,401 | 3,459,144 | 146,742 | 4% |
| TOTAL LAW, SAFETY AND JUSTICE | 140,341,477 | 145,995,863 | 5,654,386 | 4% |

Figure 14

Figure 14 shows the total Non General Fund appropriations.

Figure 14 Continued...

| | 2013/2014 ADOPTED | 2015/2016 ADOPTED | AMOUNT OF CHANGE | PERCENT CHANGE |
|---|------------------------|-------------------------|-----------------------|-------------------|
| PHYSICAL ENVIRONMENT | | | | |
| AIRPORT | 30,437,415 | 31,886,311 | 1,448,895 | 5% |
| AIRPORT CONSTRUCTION TRANSFER | 5,500,000 | 6,000,000 | 500,000 | 9% |
| DPER ABATEMENTS | 976,292 | 193,020 | (783,272) | -80% |
| DPER GENERAL PUBLIC SERVICES | 4,613,562 | 4,171,439 | (442,122) | -10% |
| DPER PERMITTING INTEGRATION | 983,624 | - | (983,624) | -100% |
| DPER PLANNING AND PERMITTING | 23,832,417 | 27,267,249 | 3,434,832 | 14% |
| DOT DIRECTOR OFFICE | 11,547,893 | 11,291,408 | (256,485) | -2% |
| FLEET MANAGEMENT EQUIPMENT | 25,897,661 | 23,827,965 | (2,069,696) | -8% |
| FLEET MOTOR POOL | 28,046,443 | 28,097,885 | 51,442 | 0% |
| FLEET WASTEWATER ER & R | 5,160,099 | 4,599,099 | (561,000) | -11% |
| FLOOD CONTROL DISTRICT | 124,020,821 | 119,059,000 | (4,961,821) | -4% |
| HISTORIC PRESERVATION PROGRAM | 966,402 | 967,550 | 1,148 | 0% |
| INTERCOUNTY RIVER IMPROVEMENT | 100,000 | 100,000 | - | 0% |
| MARINE DIVISION | 31,298,923 | 14,199,000 | (17,099,923) | -55% |
| NATURAL RESOURCES ADMINISTRATION | 12,662,285 | 13,436,590 | 774,305 | 6% |
| NOXIOUS WEED PROGRAM | 4,119,469 | 5,109,973 | 990,505 | 24% |
| PARKS | 68,603,544 | 79,491,053 | 10,887,509 | 16% |
| PARKS EXPANSION LEVY | 21,781,405 | 398,586 | (21,382,819) | -98% |
| PARKS OPEN SPACE AND TRAILS LEVY | 61,733,467 | 133,947,721 | 72,214,254 | 117% |
| ROAD IMPROVEMENT GUARANTY | 16,406 | - | (16,406) | -100% |
| ROADS | 141,345,583 | 170,933,514 | 29,587,931 | 21% |
| ROADS CONSTRUCTION TRANSFER | 48,000,000 | 38,400,000 | (9,600,000) | -20% |
| SOLID WASTE | 208,428,571 | 220,015,694 | 11,587,123 | 6% |
| SOLID WASTE POST CLOSURE LANDFILL | 4,065,434 | 4,834,388 | 768,954 | 19% |
| TRANSIT | 1,352,406,965 | 1,397,865,313 | 45,458,349 | 3% |
| TRANSIT DEBT SERVICE | 31,423,734 | 30,810,593 | (613,141) | -2% |
| TRANSIT REVENUE FLEET REPLACEMENT | 262,629,618 | 329,367,192 | 66,737,574 | 25% |
| WASTEWATER DEBT SERVICE | 482,650,498 | 494,821,158 | 12,170,660 | 3% |
| WASTEWATER TREATMENT | 247,360,726 | 276,483,093 | 29,122,367 | 12% |
| WATER AND LAND RESOURCES | 56,603,145 | 67,740,629 | 11,137,484 | 20% |
| WATER AND LAND RESOURCES SWM | 47,600,549 | 60,471,676 | 12,871,127 | 27% |
| YOUTH SPORTS FACILITY GRANT | 1,383,360 | 2,024,641 | 641,281 | 46% |
| TOTAL PHYSICAL ENVIRONMENT | 3,346,196,311 | 3,597,811,742 | 251,615,431 | 8% |
| CAPITAL FUNDS | | | | |
| CAPITAL IMPROVEMENT PROGRAM | 1,308,647,944 | 1,135,255,036 | (173,392,908) | -13% |
| TOTAL NON-GENERAL FUND | 7,597,065,692 | 7,660,554,599 | 63,488,908 | 1% |
| ROUNDING TO ORDINANCE | | 31,437 | | |
| TOTAL KING COUNTY FUNDS | \$9,000,867,729 | \$ 9,160,347,036 | \$ 159,479,307 | 2% |
| *Reflects reorganization of Technology funds. | | | | |
| **Reflects separation of Environmental Health from Public Health. | | | | |



MAJOR ISSUES King County

1. THE BUDGET CONTINUES TO FOCUS ON BECOMING THE “BEST RUN GOVERNMENT”.

The King County Strategic Plan includes four “How” goals that describe the ways in which the County will improve its operational practices. County Executive Dow Constantine has described these as “becoming the best run government in the United States.” The 2015/2016 Adopted Budget includes many initiatives toward that end.

The 2015/2016 Adopted Budget continues to emphasize operational efficiencies. For the last four years, the County has worked with its employees and unions to reduce the growth in costs. The success of these efforts can be seen in Figure 15, which shows how the growth rate in General Fund costs has been reduced from 5 percent or more to

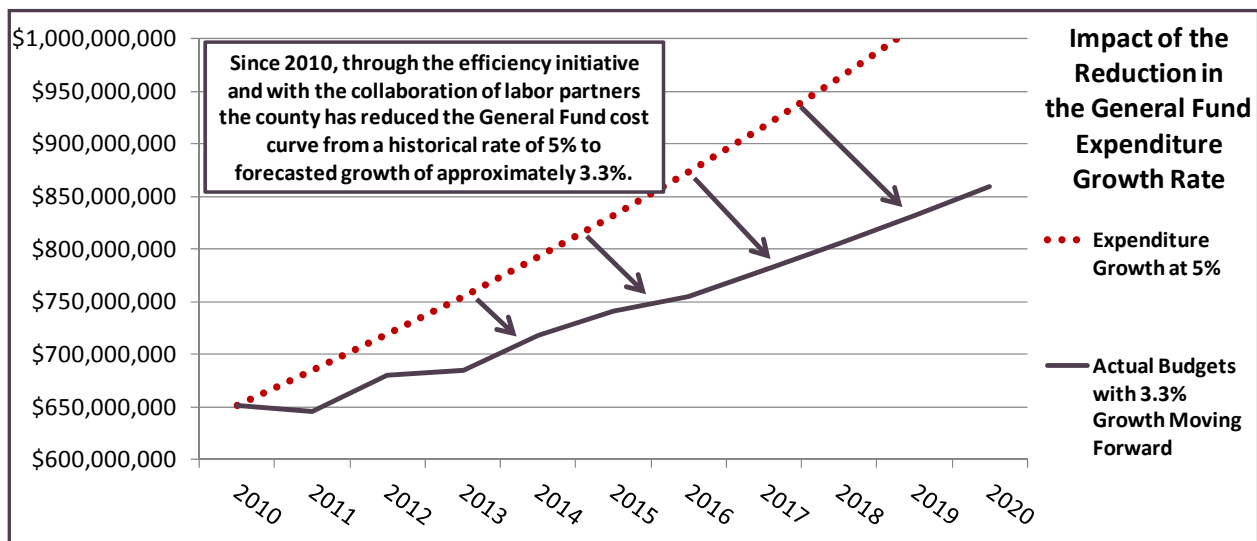


Figure 15

about 3.3 percent annually. Similar trends can be seen in many other funds. This effort continues in the 2015/2016 Adopted Budget. Over \$15 million of efficiencies are included, with the following as illustrative examples:

- ◆ Metro Transit identified service and maintenance efficiencies that allowed it to eliminate 40 buses from the fleet, with no effects on service.

- ◆ The Department of Judicial Administration cross-trained staff to serve both in-court and out-of-court functions, allowing a reduction of two positions.
- ◆ The Road Services Division reduced its space in the King Street Center from two floors to one-half of a floor, freeing space for use by other county programs currently housed in outside leased space.
- ◆ The Department of Adult and Juvenile Detention reorganized the transportation system among its facilities to save over \$300,000 annually.
- ◆ The Department of Community and Human Services (DCHS) reorganized its administrative functions to reduce staffing and increase consistency across the department.
- ◆ The Prosecuting Attorney's Office has stopped filing charges for Driving While License Suspended – 3, and instead will encourage law enforcement agencies to write infractions in these cases. This reduces public defense costs by \$1.5 million over the biennium without any discernible effect on public safety. DWLS-3 cases are disproportionately filed against low-income people who have been unable to pay tickets, so this change has positive Equity and Social Justice consequences, as well.

Widespread deployment of Lean continues and is improving service and saving money. Lean was adopted as the County's continuous improvement methodology in 2011. Lean works to identify and eliminate "waste" in processes by empowering employees to find ways to do their work better. In 2014, some of the most notable Lean efforts included:

- ◆ A major effort to reduce bus parts inventory and improve ordering practices at Transit's Ryerson base, which will continue in 2015 and expand to other bases.
- ◆ Comprehensive deployment of Lean in King County Elections, which improved ballot processing speed and accuracy while reducing costs by nearly \$2 million for the 2015/2016 biennium.
- ◆ Use of Lean in Public Health clinics to improve efficiency and effectiveness of patient treatment, and to enroll more patients in Medicaid. This generated about \$1 million in additional revenue, which helped to mitigate some of the cuts to Public Health programs.

The 2015/2016 Adopted Budget builds on “line of business” planning efforts in many areas. While County government is divided into many branches, agencies, and offices, the actual work occurs in lines of business (LoB) that often cross agency boundaries. A line of business is a set of related activities that produce a product or service. For example, the property tax assessment and collection line of business involves the Department of Assessments, which inspects and assesses the value of the property, and the Treasury section of the Finance and Business Operations Division, which bills and collects the resulting taxes.

Starting in 2012, the County has developed 10-year plans for several lines of business, which in turn have been used by agencies in finding operating efficiencies and developing budgets:

- ◆ Assessments has organized its entire budget based on its line of business planning efforts.
- ◆ DCHS used the LoB planning process to close a projected budget deficit of \$2 million in its Employment and Education Resources section for the 2015/2016 budget and will be continuing its planning efforts in the next biennium to address longer-term financial and service delivery challenges.
- ◆ By developing a 10-year forecast of revenues and expenses, the King County International Airport realized it would need to reduce expenditure growth and increase revenues in order to support infrastructure needs. The 2015/2016 budget includes expenditure and revenue changes that reflect this planning.
- ◆ The Road Services Division’s LoB Plan contains a catalog of the products (infrastructure assets) RSD provides to the public and illustrates how the adopted 2015/2016 budget investments align with those products and the customer’s experience of the county road system.

Other lines of business that are using LoB planning include Adult Detention, several LoBs within the Department of Natural Resources and Parks, King County Information Technology, and the Office of Risk Management.

Antiquated information technology systems are gradually being replaced.

During the decade of the 2000s, the County made little progress to update information technology systems critical to service delivery. A major step toward this end was the replacement of human resources, financial management, and budgeting systems in 2012. The 2015/2016 Adopted Budget includes continued improvement of core infrastructure and replacement of three major systems:

- ◆ The Department of Judicial Administration's Superior Court Management Information Systems (SCOMIS) Replacement Project. This replaces a State system that was deployed in 1977.
- ◆ District Court's Unified Case Management System. This replaces several old systems, notably the State's District and Municipal Court Information System (DISCIS), which was deployed in 1980.
- ◆ Records and Licensing Services' Application Replacement Project, which replaces old software used to record public documents such as property titles. This software is 12 years old and requires continual maintenance just to function.

Because General Fund resources are limited, these projects will be paid for in part with existing technology reserves, with the remaining costs financed with seven-year debt issued in 2015 and 2016.

Efficiencies in internal services funds help reduce cost growth for other agencies.

The County has centralized many internal services, such as facilities, information technology, and risk management, to achieve economies of scale and ensure consistent practices across the government. Many of these agencies found efficiencies to help save money for other departments:

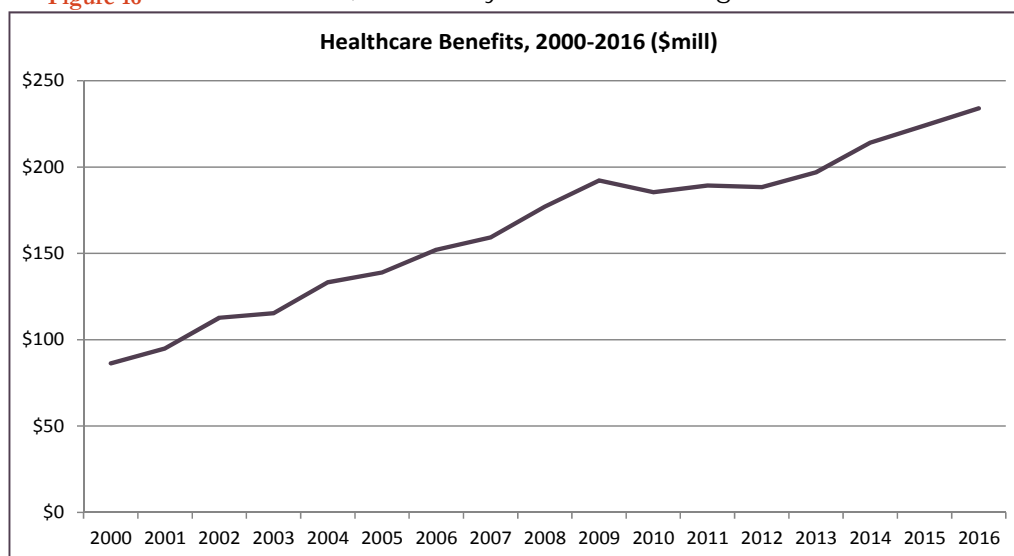
- ◆ The Safety and Claims unit in the Human Resources Division has been working with agencies to reduce workers' compensation costs for several years. A principal focus of this effort is returning employees to the workplace as soon as possible. As a result, Safety and Claims rates have been reduced by 26 percent for 2015/2016, and a rebate of past over-collections of \$16 million is being made for the biennium.
- ◆ King County Information Technology (KCIT) continues to move toward standardized services, such as work stations, servers, and applications. These allow more efficient deployment of technology and reduce support costs for incompatible systems. As an example, KCIT's standard virtual server environment has been very effective in reducing costs to host applications. Since 2012, the County has avoided over \$2 million in server operating costs and over \$1 million in physical server purchases by hosting applications in the virtual environment. KCIT also has introduced some lower cost service

offerings such as kiosks and seasonal workstations. Public Health was able to lower its workstation costs by almost \$700,000 over the biennium by transitioning to kiosks for 190 stations where full workstation capabilities are not required.

- ◆ The Office of Risk Management (ORM) developed a new rate model that provides faster rewards for agencies that do more to reduce their risk-related expenses (typically claims and lawsuits). ORM's success in managing these costs allowed a \$4.2 million rebate in excess funds to agencies. Many agencies also will receive lower future charges due to successful risk management efforts. For example, the Transit Division's charges are reduced by \$2 million for 2015/2016 biennium.
- ◆ The Facilities Management Division (FMD) is restructuring its management and project staff to eliminate 15 FTEs and the related \$3.9 million of biennial costs. This allowed FMD to reduce space rent charges to County agencies.
- ◆ The Finance and Business Operations Division (FBOD) has reorganized its work into value streams, which describe an entire business process, whether it occurs solely within FBOD or not. An example is "Procure to Pay," which outlines the process for selecting, purchasing, and paying for an item. This approach and other efficiency efforts allowed FBOD to limit its biennial rate increase to other agencies to only 1.6 percent.

Effective management of employee health care costs continues to be a critical factor in overall cost containment. Starting in the late 2000s, the County began working with its employees and their unions to identify ways to better manage health care costs while preserving or improving

Figure 16



the quality of care. The success of this effort was recognized when King County won the 2013 Harvard Innovations in Government Award for this "Healthy Incentives" program.⁷ Figure 16 shows recent trends in employee health care costs. For 2014 through 2016, the County has negotiated with almost all of its unions to cap the growth

⁷ Over 600 governments applied for this award

in the County's contribution to health care costs at 4.0 percent annually. This provides budgeting certainty and continued incentives for the County, its unions, and its employees to work to reduce cost growth. Some of the 2014 cost growth is due to the creation of the new Department of Public Defense, which added over 400 employees to the County's health care plans, and to costs of implementing the Affordable Care Act. The County and its unions agreed to some plan changes for 2015 and beyond, which are expected to save approximately \$800,000 annually.

The 2015/2016 Adopted Budget increases transparency and clarity.

Some of the County's historic budgeting practices have made it harder to understand funding decisions and financial conditions. The Adopted Budget continues previous efforts to improve the quality of information, including:

- ◆ Creation of a new Environmental Health Fund outside of the Public Health Fund. This will allow better tracking of Environmental Health revenues and expenditures, which are mostly fee-supported. This complies with a recommendation of the King County Auditor's Office.
- ◆ Elimination of the Children and Family Services set-aside. This budgeting approach diverted a small amount of General Fund revenue plus the costs and revenues from the Goat Hill Parking Garage to a separate fund to support certain human services programs. This made the accounting for the Garage very difficult to follow and under-reported the true General Fund support for human services. The 2015/2016 Adopted Budget eliminates the set-aside and includes these programs in the General Fund. A separate subfund is created for the Garage to improve the transparency of its finances.
- ◆ Standardization of financial plan templates. County budgets have included financial plans for major funds for many years, but there were considerable variations in format, classification, and organization. Consistent with the County's new financial management policies, the 2015/2016 Adopted Budget includes standard templates to improve clarity and consistency.

The 2015/2016 Adopted Budget includes funding for “Strategic Innovation Priorities” (SIPs). As a result of discussions between the Executive and Council, a new planning model is being deployed starting in 2015 to supplement the King County Strategic Plan. The model calls for SIPs to be developed in high-priority areas. These are typically subjects that cut across many County agencies or branches of government, and often involve external partners. The following list of possible SIPs has been developed by staff and will be reviewed by the Council in early 2015:

- ◆ Advance equity and social justice (ESJ) – a plan to put a more formal structure around the County’s ESJ efforts.
- ◆ Transform health and human services – continued work with regional partners to coordinate a wide range of health and human services into “patient-centric” and “community-focused” models. This work began in 2013 and is continued for the 2015/2016 biennium. A total of 2.5 FTE are funded in Public Health and DCHS. The County’s previous commitment of \$500,000 in catalyst funds has leveraged \$2.6 million in matching funds from foundations, which is currently being awarded to fund innovative efforts.
- ◆ Combat climate change – work to update the existing plan to include new targets and strategies.
- ◆ Employer of the Future – an effort to design human resource policies and labor contracts to meet the needs of a 21st century employer and workforce. The goal is to work with the County’s unions to implement new contract models for 2017.
- ◆ Nurture optimal development for children – an effort with regional partners to build an integrated approach to child and youth services. Current efforts tend to be fragmented by type of service and geography, leading to service gaps and inefficiencies.
- ◆ Promote regional economic development – a comprehensive approach to expand the county’s economy, increase global competitiveness, and extend prosperity to all communities, which would be developed with private, public, and non-profit partners.
- ◆ Improve criminal justice system outcomes – an integrated plan to reduce recidivism, reduce disproportionate representation of racial minorities, and reduce costs in the criminal justice system.

Because of funding limitations, not all of these SIPs will be pursued in 2015.

The 2015/2016 Adopted Budget expands the development of activity-based costing (ABC). ABC is a process through which costs are traced to specific activities. This provides reliable, accurate cost information that can be used to achieve quantifiable business process improvements in the most efficient manner possible. ABC was piloted in the Finance and Business Operations Division and Jail Health Services in 2014. These agencies developed a much clearer understanding of the cost of different activities, and especially the cost of non-standard work. This will allow process improvements and cost reductions to be implemented. The 2015/2016 Adopted Budget includes funding to expand this to one larger and two smaller lines of business in 2015, and one larger and four smaller lines of business in 2016. The Solid Waste Division, employment programs in the Department of Community and Human Services, and KCIT are likely participants in ABC in 2015.

2. THE BUDGET REFLECTS CONTINUED ATTENTION TO EQUITY AND SOCIAL JUSTICE CONSIDERATIONS.

The KCSP embodies the concept of equity and social justice (ESJ), an initiative started several years ago to improve the quality of decisionmaking. The purpose of ESJ is to make sure that all individuals and communities are treated equitably in County programs and to promote more comprehensive thinking about these issues. Agencies and the Executive applied detailed ESJ analysis to the development of the 2015/2016 Adopted Budget, including reviewing base budget allocations in some cases. An example of this is the equity impact review of the Parks Division's Regional Trail System six-year plan. This review led to priorities to develop critical missing trail links and create or improve trails in parts of the county with lower-income or otherwise disadvantaged populations.

The 2015/2016 Adopted Budget includes dedicated funding for 2.5 FTEs plus funds for training and related costs. An opportunity fund to make small grants to agencies for ESJ activities is included. As noted previously, funding is also provided to develop an ESJ strategic Innovation plan. The council moved the function from Public Health to a new Office of Equity and Social Justice.

One of these employees will focus on outreach to limited English proficiency (LEP) populations. This responds to one of the recommendations of the response to the Council's 2014 LEP budget proviso.

PSB staff conducted two studies that will be useful for future budget development. The first was a review of how ESJ analysis has been done for previous budget processes. Not surprisingly, some agencies have done more advanced work than others. Among the lessons learned were the importance of training, the need to involve more front-line staff in ESJ budget analysis, and the need for feedback from senior leaders about how ESJ was used in decisionmaking.

A second study focused on establishing baseline measures for the determinants of equity, which are 14 characteristics that the County uses to measure the success of its ESJ efforts. This research collected current measures, assessed work done by other jurisdictions, and developed more detailed information about conditions in the County. This new baseline will support strategic planning and budget analysis.

3. THE BUDGET ADDRESSES THE GENERAL FUND'S FINANCIAL CHALLENGES THROUGH EFFICIENCIES AND SELECTED PROGRAM REDUCTIONS.

As described previously, the General Fund faces chronic financial challenges because of limitations on revenue sources and growth rates. As a result, the General Fund typically starts each biennium with a projected gap of one to two percent between forecasted revenues and the cost to continue current programs. As shown in [Figure 17](#), this gap was estimated at about \$26.5 million at the beginning of the 2015/2016 budget process.

| Sources of 2015/2016 General Fund Gap | | |
|--|-----------|-------------------|
| Starting Gap | \$ | 26,500,000 |
| Mandatory Budget Additions | \$ | 8,500,000 |
| COLA Changes | \$ | 2,900,000 |
| Retirement Rate Increase | \$ | 3,900,000 |
| Reductions in Criminal Justice System Revenues | \$ | 12,200,000 |
| TOTAL | \$ | 54,000,000 |

Figure 17

Unfortunately, the gap grew significantly throughout the spring and summer of 2014. Four major factors contributed to the growing gap:

- ◆ Some budget increases were unavoidable, including lower public defense caseloads per attorney mandated by the State Supreme Court and additional corrections officers to meet the requirements of the federal Prison Rape Elimination Act. These mandatory budget changes added about \$8.5 million to the gap.
- ◆ The fixed wage increase agreed to with the coalition of County unions added about \$2.9 million to the gap. In the long run, the agreement includes offsetting financial benefits for the County, including elimination of extra leave days under the King County Family and Medical Leave program, but these benefits are not realized immediately.
- ◆ The state-mandated increase in employer contributions to retirement systems described previously added about \$3.9 million to the gap.
- ◆ Shortfalls in projected revenues from fines, fees, and other charges imposed by criminal justice system agencies reduced 2014-2016 revenues by about \$12.2 million from earlier estimates. These shortfalls are due to a combination of lower caseloads, additional waivers due to indigency, and fixed charges that don't keep up with inflation.

As a result of these changes, the actual 2015/2016 General Fund gap was about \$54 million.

At the start of the 2015/2016 budget process, General Fund agencies were asked to identify efficiencies, revenue increases, or spending reductions totaling 2.25 percent of their baseline budget (the projected cost to continue 2014 programs into 2015/2016, taking into account inflation, wage changes, etc.). As further challenges emerged later in the budget process, this target was increased to 3.25 percent. As seen in [Figure 18](#), most agencies achieved or exceeded this target, although in some cases necessary budget additions offset some of the savings.

GENERAL FUND PROGRESS TOWARDS TARGETS

| Department/Agency | 3.25% Target | Progress to Target | % Reduction |
|--|----------------------|----------------------|-------------|
| Legislative Agencies | \$ 1,358,000 | \$ 500,000 | 1.2% |
| Executive | \$ 318,000 | \$ 318,000 | 3.3% |
| Performance, Strategy and Budget | \$ 654,000 | \$ 656,000 | 3.3% |
| Sheriff's Office | \$ 4,850,000 | \$ 4,650,000 | 3.1% |
| Office of Emergency Management | \$ 173,000 | \$ 216,000 | 4.1% |
| Executive Services Administration | \$ 188,000 | \$ 193,000 | 3.3% |
| Human Resources | \$ 433,000 | \$ 500,000 | 3.8% |
| Labor Relations | \$ 188,000 | \$ 60,000 | 1.0% |
| Real Estate Services | \$ 217,000 | \$ 311,000 | 4.7% |
| Records and Licensing Services | \$ 640,000 | \$ 905,000 | 4.6% |
| Prosecuting Attorney | \$ 4,420,000 | \$ 4,020,000 | 3.0% |
| Superior Court | \$ 3,220,000 | \$ 3,150,000 | 3.2% |
| District Court | \$ 1,900,000 | \$ 2,230,000 | 3.8% |
| Elections | \$ 1,270,000 | \$ 3,500,000 | 9.0% |
| Judicial Administration | \$ 1,400,000 | \$ 1,520,000 | 3.5% |
| Assessments | \$ 1,660,000 | \$ 1,560,000 | 3.1% |
| Jail Health Services | \$ 1,560,000 | \$ 1,880,000 | 3.9% |
| Adult and Juvenile Detention | \$ 8,160,000 | \$ 8,760,000 | 3.5% |
| Public Defense | \$ 2,890,000 | \$ 7,720,000 | 8.7% |
| TOTAL GENERAL FUND AGENCIES | \$ 35,499,000 | \$ 42,649,000 | 3.9% |
| FBOD | \$ 1,936,000 | \$ 1,945,000 | 3.3% |
| KCIT | \$ 4,970,000 | \$ 4,666,000 | 3.1% |
| FMD | \$ 3,366,000 | \$ 4,000,000 | 3.9% |
| Fleet | \$ 660,000 | \$ 900,000 | 4.4% |
| TOTAL INTERNAL SERVICE AGENCIES | \$ 10,932,000 | \$ 11,511,000 | 3.4% |

Progress towards target includes actual expenditure reductions related to agency activity, net new revenue, central rate credits, and avoided expenditures.

Figure 18

As described previously, many agencies identified significant new efficiencies as part of this effort. These typically involved streamlined processes, better use of staff, and deployment of new technology. Some agencies, notably the King County Sheriff's Office (KCSO), Department of Adult and Juvenile Detention (DAJD), and the Department of Public Defense (DPD), were able to obtain more contract work with other jurisdictions, which provides a net benefit for the General Fund by spreading agency overhead costs across a wider base. Agencies also took advantage of the two-year budget period to phase in changes that could not be realized immediately.

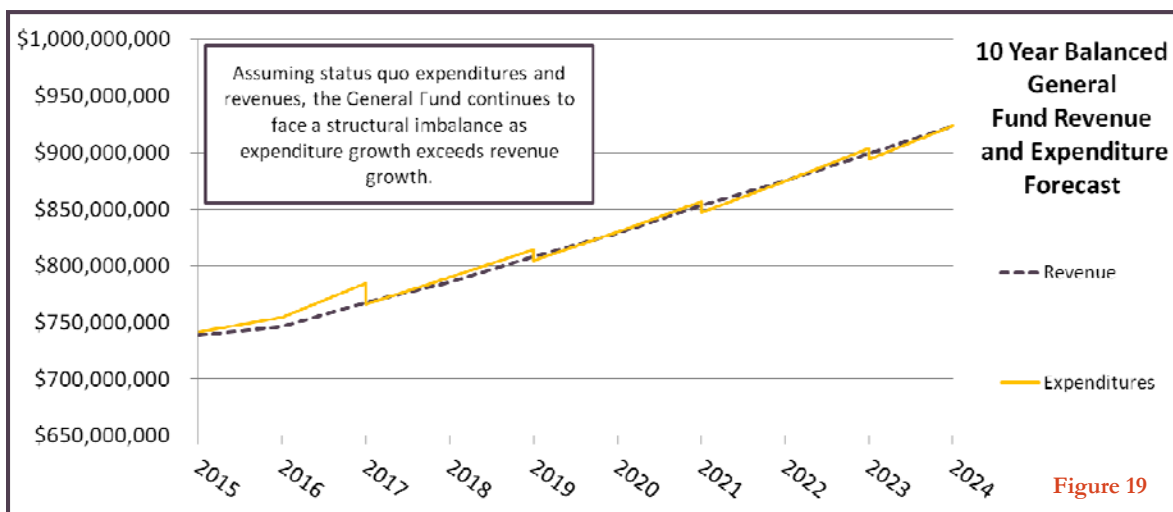
Despite these efficiencies and revenue increases, the size of the General Fund gap necessitated some very difficult budget cuts. Because the criminal justice system comprises nearly 75 percent of the General Fund, many of the more challenging cuts are in those areas, including:

- ◆ The population in adult detention will be managed within staffing levels set for the 2014 budget. Jail population has been rising in recent years and DAJD requested an additional \$5.2 million for the biennium to address this growth. In light of the General Fund's financial situation, this cost was prohibitive. The County Executive will convene a task force of all the affected organizations to determine how to best manage the jail population. Many inmates stay only briefly in the jail, so the cap will provide an opportunity to evaluate which individuals might be better placed in other settings. The County will honor its contracts with cities and the State Department of Corrections to house inmates. Because of the uncertainty associated with this proposal, the Council set aside funds in case it is not possible to reduce jail population as projected.

- ◆ The Work and Education Release (WER) program will be restricted to individuals with jobs and those in Adult Drug Court, reducing the population to about 75. Other individuals have been housed in WER, but the cost of this program is higher than alternatives. The current location in the King County Courthouse is not viable in the long run, so a permanent plan for WER will be developed in the next biennium.
- ◆ The KCSO may need to reduce its helicopter unit if regional funding cannot be obtained. The KCSO operates a group of helicopters and serves law enforcement and search and rescue functions throughout the area. This service is entirely supported by the County's General Fund, although most of the work supports other law enforcement agencies. The KCSO has to achieve an \$850,000 savings through various means in the 2015/2016 biennium, and may need to reduce this function to search and rescue only if a broader funding base is not developed. The Council did add funding to reestablish a Domestic Violence Unit in the KCSO.
- ◆ DPD will reduce staffing while complying with caseload standards. The County historically provided public defense through contracts with four non-profit firms. As a result of the Dolan decision, which determined that the staff of the agencies were employees of the County for retirement purposes, the function became a County department on July 1, 2013. The agencies employed considerably more individuals than had been called for in the public defense contract model. The 2015/2016 Adopted Budget eliminates the excess positions, reduces the organization from four divisions to three, and adds attorneys as needed to meet new lower caseload standards in some areas. In response to comments by the Public Defense Advisory Board, the Council directed that no filled position in DPD will be eliminated until a workgroup convened by the Executive can review organizational structures and staffing levels. The work group is expected to release a report by the end of March 2015.
- ◆ The Prosecuting Attorney's Office (PAO) will reduce positions gradually over the biennium as vacancies accrue. This may slow the handling of cases, with resulting effects on other parts of the system.
- ◆ The County will continue to underfund major maintenance of general government buildings. The Facilities Management Division uses building condition assessments and maintenance models to estimate the amount of major maintenance needed each biennium to keep facilities in optimal condition. For at least the last six years, the County has underfunded these programs due to lack of General Fund resources. The 2015/2016 Adopted Budget funds only about 25 percent of the needs for general government facilities. This will lead to higher costs in the long run.

Two other significant actions helped to balance the General Fund. First, the transfer from the Roads Fund to the Sheriff's Office was increased from \$5 million in 2013/2014 to \$12 million in 2015/2016, which fully covers the costs of services allowed to be charged to the Roads Fund under State law. Of course, this makes the financial challenges of the Roads Fund even more severe. Second, efficiencies in central service programs, such as risk management and facilities, saved the General Fund nearly \$7 million compared with earlier forecasts. A variety of smaller factors also helped to balance the 2015/2016 General Fund budget.

As seen in [Figure 19](#), the General Fund will continue to face similar challenges every biennium until the fundamental revenue challenge is resolved. The current estimate for the 2017/2018 gap is about \$37 million.



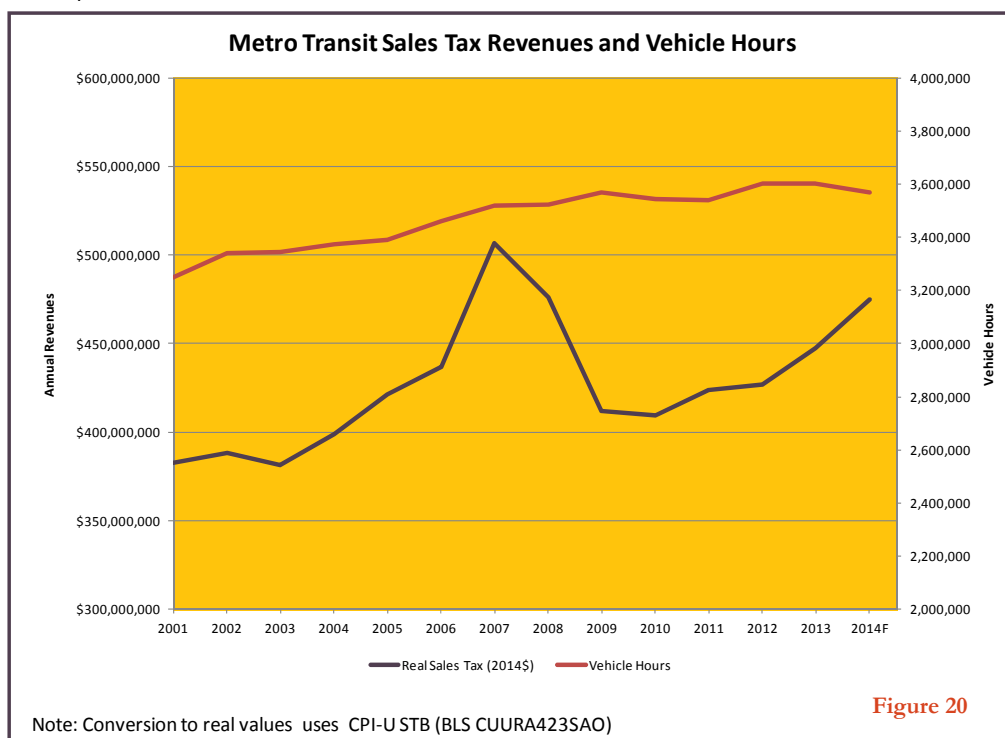
4. THE BUDGET REDUCES TRANSIT SERVICE, BUT LESS THAN PREVIOUSLY PROJECTED.

Metro Transit provides bus, rail, streetcar, vanpool, and Access paratransit services for people with disabilities throughout King County, using its own revenues and funds from other governments such as Sound Transit and the City of Seattle. Metro's bus service provided almost 119 million passenger trips in 2013 and accounted for 80 percent of the total public transit boardings in King County.

Metro is funded mostly from sales taxes and fares as can be seen in [Figure 20](#), real (inflation-adjusted) sales tax revenue grew rapidly in the mid-2000s as the economy improved and when a tax rate increase from 0.8 percent to 0.9 percent was approved and implemented in

mid-2007. Revenue subsequently plunged during the Great Recession. Although revenue started to grow again in 2011, the inflation-adjusted forecast for 2014 sales tax revenue is still well below the 2007 peak.

Figure 20 also shows how vehicle hours operated by Metro stayed about the same through the recession. This was achieved through fare increases, efficiencies identified by Transit and as a result of an external audit, reductions in fund balances, and a temporary \$20 congestion reduction charge (a vehicle license fee) authorized by the State Legislature and approved by the County Council. The congestion reduction charge has expired and the fund balance drawdown has been completed, so Metro Transit does not have adequate revenue to sustain previous service levels.



The 2013/2014 Adopted Budget assumed that service reductions would begin in September 2014 unless new revenues were obtained. The State Legislature failed to approve transportation funding proposals in the 2013 and 2014 sessions. The County sought voter approval of a transit and roads ballot measure in April 2014, but this failed with only a 46 percent "yes" vote. As a result, 151,000 hours of service were reduced in September 2014.

Earlier projections indicated that a total of 550,000 to 600,000 hours of service would need to be eliminated (including the September 2014 reduction) in order to produce a sustainable Metro Transit budget.

However, a series of actions taken by Metro and other County departments, along with favorable changes in forecasts for fuel prices, allow the 2015/2016 Proposed Budget to include only a total of 400,000 hours of service reductions (about 11 percent of current service). Some of the efficiencies that saved service have been described previously, including savings in workers' compensation and risk management costs, fewer buses, and Lean activities to reduce parts inventories. Other efficiencies included reducing administrative positions, automating work orders and payroll at bus bases, utility savings from energy efficiencies, and conversion of Access vehicles to use liquefied propane gas.

The County Council reviewed financial policies, the latest revenue and fuel price forecasts, and updated information on fund balances, and determined that no further service reductions were necessary after those implemented in September 2014. The 2015/2016 Adopted Budget thus maintains service levels throughout the biennium.

The City of Seattle proposed a Transportation Benefit District on the November 2014 ballot, with the revenue from a 0.1% sales tax and a \$60 vehicle license fee devoted to restoring and expanding bus service within the city. This measure passed with a 62% "yes" vote. The City will contract with the County to purchase this additional bus service. The 2015/2016 Adopted Budget does not reflect this contract because terms will not be fully negotiated until the first quarter of 2015. A budget amendment will be made once the contract is in place.

The County Executive, County Council, and Metro Transit are committed to a high quality, sustainable transit system. To that end, the 2015/2016 Adopted Budget includes investments in technology to enhance current systems and deploy new tools sought by riders. It also includes expanded investments in workforce development, improved coordination with Sound Transit, and development of a new Long Range Plan.

The 2015/2016 Adopted Budget recognizes that some communities are not effectively served by traditional fixed route bus service. The budget includes \$12 million of new funds for alternative services, such as community shuttles. These programs will be customized to the needs of different parts of the county.

The 2015/2016 Adopted Budget also includes implementation of the low-income fare, which was approved by the County Council in February 2014. This proposal offsets some of the effects of recent fare increases on transit-dependent low-income individuals.

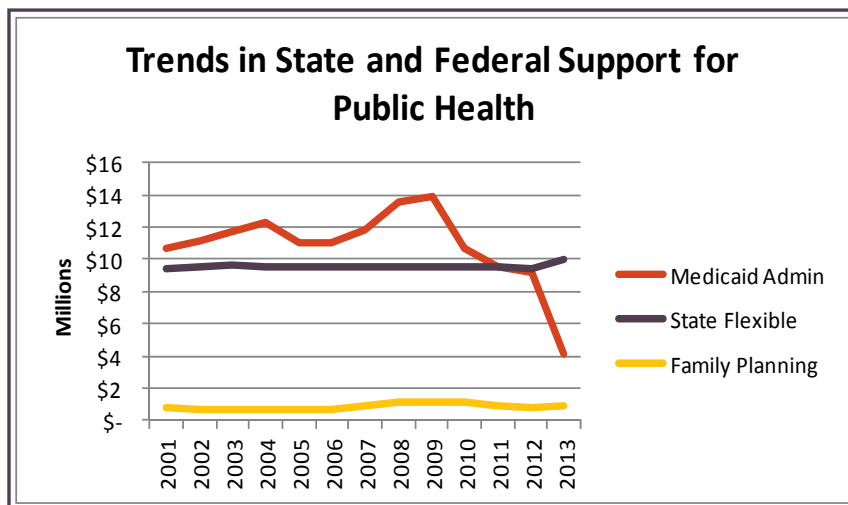
5. THE BUDGET ADDRESSES THE FINANCIAL CHALLENGES IN PUBLIC HEALTH OVER A FIVE-YEAR PERIOD.

Public Health Seattle-King County provides a wide range of public health services, including disease monitoring and control, food inspections, plumbing permits, family planning, maternity support services, health care for the homeless, and jail health services. It also includes the Medical Examiner's Office and the Emergency Medical Services (EMS) Division, which funds EMS services delivered by city fire departments, fire districts, and directly by the EMS Division in some parts of the county.

The wide range of programs and revenue sources means that Public Health's budget is very complex. Some parts of the department have sound long-term finances, including Environmental Health (supported almost entirely by user fees) and EMS (supported by a dedicated voter-approved property tax). However, the core public health functions lack adequate funding and thus major service reductions were needed for the 2015/2016 budget.

Many of the services provided by Public Health directly to individuals cannot be fully paid for by those individuals, even with the expansion of

Figure 21



Medicaid coverage under the Affordable Care Act. Public Health thus relies on flexible federal, state, and county funds to pay for outreach, treatment, and infrastructure costs for facilities. As seen in Figure 21, state funding has been basically flat for more than a decade, which does not cover growing populations and increasing medical costs. Federal Medicaid Administrative Claiming funds have been reduced by more than half in recent years due to changes in federal policies. County General Fund support

was reduced during the Great Recession and has increased slowly since then. However, the General Fund's financial challenges prevent it from further offsetting federal and state funding shortfalls.

Public Health managed to get through the last few years with some staffing cuts, one-time funds, reduction of certain services, and ongoing operating efficiencies. However, when financial reporting for 2013 was completed in early 2014, it became clear that the existing financial model is not sustainable. The department found efficiencies through

Lean and other measures, instituted hiring freezes, and imposed travel restrictions to increase revenue and reduce spending in 2014.

The latest financial plan projects a negative fund balance for the Public Health Fund of \$8.9 million at the end of 2014. Without changes, the 2015/2016 budget would have a deficit of \$29 million. As a result, many significant reductions in services and staffing were included in the 2015/2016 Adopted Budget. This produced a fund balance shortfall of about \$2.5 million at the end of 2016, with a goal of getting to a positive fund balance at the end of the following biennium.

During the Council's budget review process, additional public and private partners stepped forward to temporarily save some Public Health Services. The Council also reprioritized some funding from other Public Health Programs to health clinics. As a result, the projected closure of the Auburn facility was postponed until the end of 2016, and Northshore was funded for 2015.

Cuts in programs at health clinics are the most visible reductions and affect the most people, almost all of whom are disadvantaged and low-income. The County currently operates 10 clinics, and the following changes were included in the 2015/2016 Adopted Budget:

- ◆ Auburn: no changes. Family planning and maternity support services / women, infants and children (MSS/WIC) programs will continue.
- ◆ Columbia (located in southeast Seattle): primary care will shift to a non-profit community partner, and family planning will be eliminated. Dental services and MSS/WIC will continue.
- ◆ Downtown Seattle: no changes. Primary care, dental services, and MSS/WIC will continue. This location is the principal site for serving homeless individuals.
- ◆ Eastgate (located in Bellevue): no changes. Primary care, dental services, family planning, and MSS/WIC will continue.
- ◆ Federal Way: no changes. Family planning and MSS/WIC will continue. This clinic was originally considered for closure, but anticipated support from the City of Federal Way and an agreement by Public Health's unions to forego salary steps and longevity pay for two years provided sufficient funds to keep it open.
- ◆ Greenbridge (located in White Center): family planning services will continue but will shift to a non-profit community partner. MSS/WIC will continue. This clinic was originally considered for closure, but anticipated funding from the City of Seattle, efficiencies identified within Public Health, and a sublease of space to Planned Parenthood provided sufficient funds to keep it open.
- ◆ Kent: no changes. Family planning and MSS/WIC will continue.

- ◆ North (located in the Northgate area of Seattle): facility to close, as was already planned. Primary care will shift to a non-profit community partner at its new facility, as had been assumed previously. Family planning will be eliminated. MSS/WIC will be housed in leased space at the new facility. The satellite dental services program will continue.
- ◆ Northshore (in Bothell): no changes in 2015. MSS/WIC services will continue, but will need new funding for 2016. Two satellite facilities will remain and will be managed from Eastgate.
- ◆ Renton: no changes. Dental services and MSS/WIC will continue.

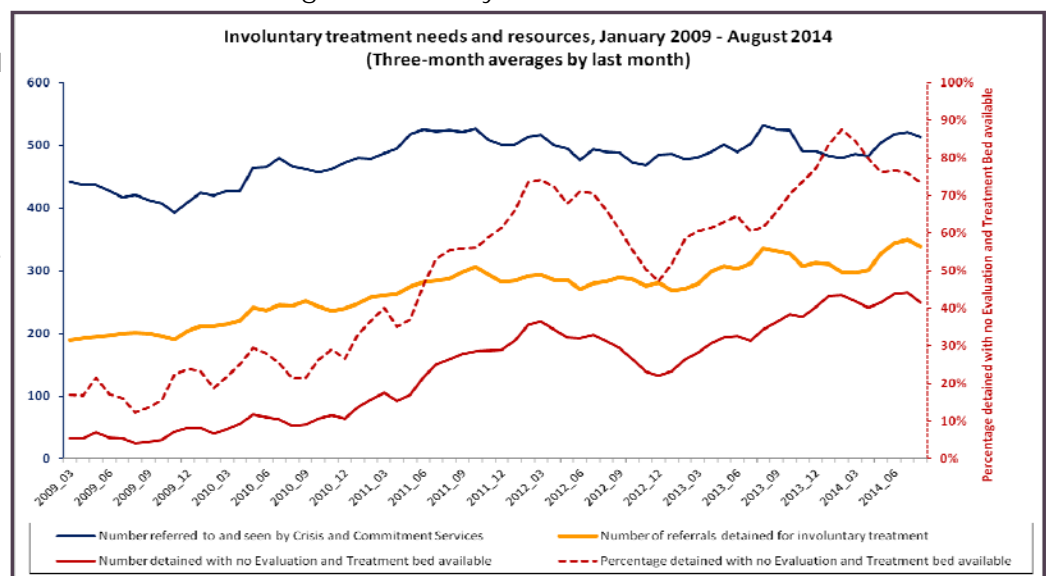
There are a wide range of other service reductions reflected in the 2015/2016 Adopted Budget. These include cuts in the Nurse Family Partnership program, health educators, health promotion, policy development, and evaluation. In some cases, reductions are smaller than initially proposed because of savings generated in other ways. For example, Public Health is reducing 11.4 administrative positions and related costs to save approximately \$4.2 million for the biennium. Central service agencies also found ways to reduce charges to Public Health. For example, Public Health worked with KCIT to achieve about \$1.2 million in savings for 2015/2016. The City of Seattle also added money to its existing contract to offset some of the potential service reductions.

6. THE BUDGET ADDRESSES THE CRISIS IN MENTAL HEALTH SERVICES.

The Department of Community and Human Services (DCHS) serves as the Regional Support Network to manage certain mental health services in King County. One key responsibility is evaluating individuals who are at risk of harming themselves or others and determining whether they should be

involuntarily committed for mental health treatment. As seen in Figure 22, the number of individuals seen by the Crisis and Commitment Services team in DCHS has grown in recent years, and is expected to grow more in the future due to changes in State laws about involuntary commitment.

Figure 22



Reductions in state funding over the last decade have created a crisis in the mental health treatment system. There are not enough beds available to meet demand due to reductions in state facilities and lack of funding to build and operate other facilities. The Affordable Care Act made many more people eligible for Medicaid support for mental health treatment, but did not immediately create appropriate facilities. In addition, many individuals remain ineligible for Medicaid, and the state has reduced funding for mental health services for such individuals.

As a result, [Figure 22](#) shows a steady increase in the number of individuals who are detained but for whom no bed is available at an Evaluation and Treatment (E&T) facility. These individuals are held in emergency rooms, often without adequate mental health care, until a treatment bed becomes available. This practice has grown from around 30 a month in early 2009 to around 250 a month recently. These temporary detentions outside of appropriate facilities are often brief, but sometimes can extend for days.

In August 2014, the Washington State Supreme Court determined this practice of “psychiatric boarding” involuntarily committed patients outside of appropriate facilities was unlawful. County Executive Constantine and Governor Jay Inslee had already convened a task force to develop improvements in the mental health treatment system, and the State took further actions to add treatment capacity following the Supreme Court’s ruling. However, the system has been chronically underfunded for a long time and some changes will take years to implement.

The 2015/2016 Adopted Budget includes resources to help DCHS respond to these challenges. The Department is working to develop two new 16-bed E&T facilities using state and county funds. DCHS is also working with local hospitals to expand their mental health wards. Other efforts are focused on diverting individuals from the involuntary treatment system into community-based programs. The 2015/2016 Adopted Budget earmarks all unreserved funds from the Mental Illness and Drug Dependency (MIDD) Fund as a contingency to address the financial uncertainty in the mental health system.

While the 2015/2016 Adopted Budget currently is adequate to address expected costs in the biennium, there is immense uncertainty in this area. Changes in state or federal policies or funding could increase or decrease the County’s challenges in mental health programs.

7. THE BUDGET DOES NOT INCLUDE ADEQUATE FUNDING FOR COUNTY ROADS.

The Road Services Division in the Department of Transportation is responsible for developing and maintaining streets and roads in unincorporated King County. This work is funded from two principal sources. The first is a property tax collected only in the unincorporated area. This tax is at its maximum rate of \$2.25 per \$1,000 of assessed value, and thus changes as assessed value changes. Annexations and the decline of property values during the Great Recession led to major revenue losses for Roads. The second revenue source is a share of the State gasoline tax, which has not grown for many years because of decreases in miles traveled and increases in fuel efficiency.

As a result of these revenue challenges, Roads has far less money available than is needed simply to maintain the existing system. Annexations have reduced the mileage Roads must maintain, but in almost all cases the revenue loss has been proportionately greater than the reduction in mileage. Furthermore, the roads in the more rural areas of the county are often the oldest and the most vulnerable to storms, flooding, and similar problems.

The County recently updated the Strategic Plan for Roads Services (SPRS), which compares funding needs with available revenues. On average, Roads is expected to have about \$90 million of revenue annually. About \$330 million would be needed each year over the next ten years to maximize road system life and improve mobility. About \$200 million is needed annually just to manage a gradual decline in the system. About \$110 million is needed each year simply to adequately manage emerging risks.

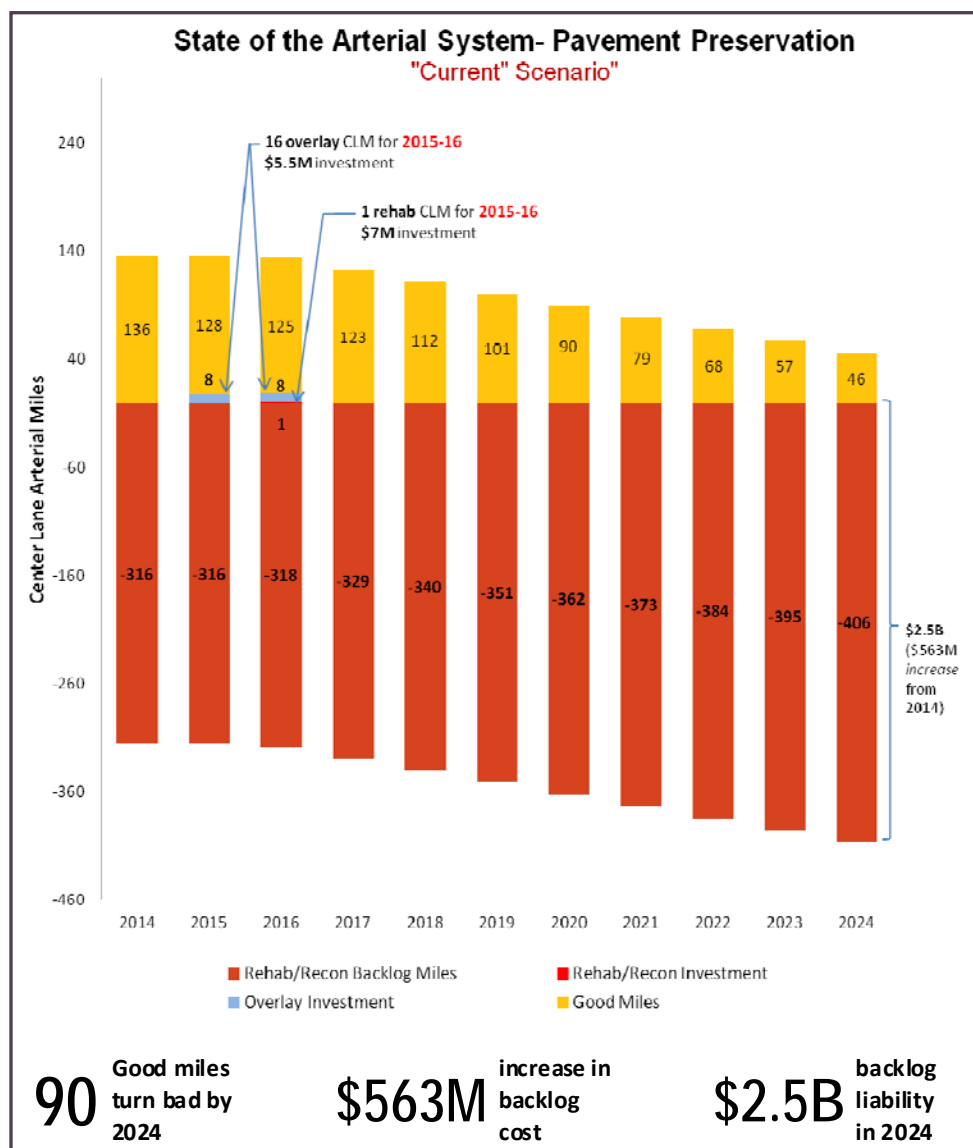
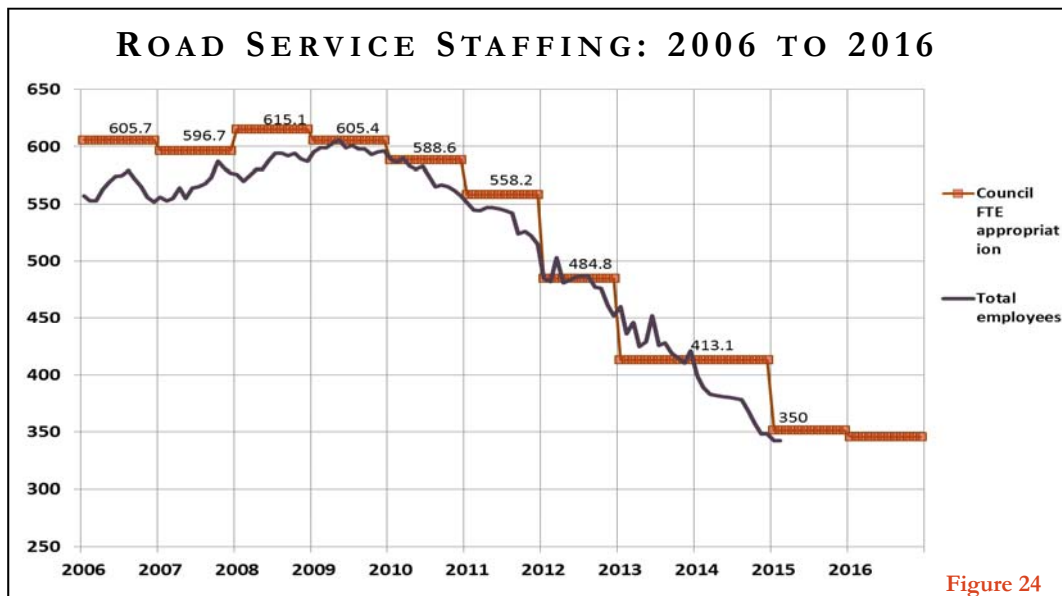


Figure 23

Since Roads has far less money than is needed to maintain the existing system, it will focus on managing declining conditions and addressing the most critical emerging risks. In many cases, roads and bridges will simply be closed when they fail or become unsafe. Almost no investment will be made in resurfacing or otherwise maintaining the quality of infrastructure.

Figure 23 shows the current condition of the arterials in the unincorporated area and the expected trend over the next 10 years. By 2024, only 10 percent of the arterials will be in good condition.

Another measure of the challenges facing Roads is the reduction in staff in recent years. As shown in Figure 24, Roads staffing has declined from 615 FTEs in 2008 to 350 FTEs for 2015. Staff reductions in the 2015/2016 Adopted Budget focus mostly on engineering services, with 35 positions lost over the biennium. This is because the capital program is dramatically reduced due to inadequate revenues. Some capital programs remain, but no specific projects such as bridge replacements are proposed that are supported from Roads revenue. The only two capital projects include one that is grant-supported and one that is financed through a County program to improve energy efficiency. Ten years ago, Roads had dozens of capital projects each biennium.



8. THE BUDGET MAKES MAJOR INVESTMENTS IN NATURAL RESOURCE PROGRAMS.

The Department of Natural Resources and Parks (DNRP) manages a wide range of County programs. The vast majority of these programs have dedicated revenue sources, including utility rates and property tax levies. Thus, DNRP's programs have more stable sources of funds than many other County services, allowing the Department to maintain or expand programs to meet needs. As described previously, DNRP has implemented many

efficiencies throughout its operations, which has allowed it to reduce costs, conserve energy, and improve performance. Among the highlights of DNRP's budget are:

No solid waste rate increase. Two years ago, a rate increase for 2015/2016 was projected, but internal efficiencies, changes in the capital program, and higher solid waste tonnages have allowed the rate increase to be postponed for two years.

Increased recycling at transfer stations. A pilot project at the Shoreline Transfer Station in 2014 determined that a significant amount of recyclable material was placed in the garbage pit, despite the availability of on-site recycling options. The Solid Waste Division believes it is cost-effective to remove recyclables from the pit at those locations where it is safe to do so. The benefits include sales of recyclable materials, reduction in greenhouse gases by avoiding the use of raw materials, and avoided costs of disposal at the Cedar Hills landfill. After further review by the Council in 2015, the recycling effort will likely be expanded to the new Bow Lake Transfer Station, the Enumclaw Transfer Station, and to the Factoria Transfer Station once it is redeveloped.

Continued investment in combined sewer overflow (CSO) reduction projects. In parts of King County, the sanitary and storm sewers are combined, and overflows into Lake Washington, Lake Union, the Ship Canal, the Duwamish River, or Elliott Bay can occur during major storms. The County has entered into a consent decree to reduce these discharges and continues to invest in projects toward that end. The Wastewater Treatment Division (WTD) has several major CSO projects underway, including projects at Barton, Magnolia, and North Beach that are expected to be completed in the 2015/2016 biennium.

New investments in making wastewater treatment plants and other infrastructure more resilient during earthquakes and other disasters. This includes about \$6.2 million in the 2015/2016 biennium for reviews of facilities to assess their vulnerability to natural or man-made disasters, modifications to facilities to increase resistance to damage, and development of new facilities to mitigate damage or facilitate recovery.

Restoration of \$4 million in funding for the "Waterworks" program. This program was temporarily suspended during litigation but was found by the State Supreme Court to be an appropriate use of wastewater revenues. Waterworks funds projects to improve water quality in streams and habitat. The process for selecting projects is currently being developed and will be determined by the Council in 2015.

Commitment to achieve carbon neutrality. DNRP has committed to reduce greenhouse gas emissions so as to achieve carbon neutrality in all its operations. Steps to date include the gas-to-energy system at the Cedar Hills landfill and energy recovery systems at wastewater treatment plants. Further efforts are reflected in the 2015/2016 Adopted Budget. Each DNRP division is setting aside funds based on a projection of its energy consumption, which will be invested in greenhouse gas reduction efforts.

Continued investment in open space acquisitions. The 2015/2016 Adopted Budget includes \$35.2 million for continued acquisition of critical open space. This includes \$19.2 million from the Conservation Futures Tax, \$13.8 million from the Parks Levy, and \$2.2 million from the Real Estate Excise Tax.

Continued investment in the regional trails system. DNRP is developing a system of trails throughout the county. The 2015/2016 Adopted Budget includes investments in many of these projects, including the East Lake Sammamish Trail and the Lake to Sound Trail in south King County. The Parks Division is also the lead agency for maintaining and developing the recently acquired Eastside Rail Corridor. As noted in the ESJ section, trail planning was informed by an equity impact review to focus projects in areas with disadvantaged populations.

No surface water management (SWM) rate increase. As with solid waste, a 2015/2016 rate increase for SWM fees was projected two years ago. As a result of internal efficiencies and a failed annexation (which would have reduced SWM revenue), this rate increase has been postponed by one or two years. The Council shifted \$2 million of SWM funds to Roads drainage projects, which may necessitate a mid-biennium rate increase.

An increase in the noxious weeds management fee. DNRP is responsible for the County's program to identify and eradicate noxious weeds, which are a threat to habitat and native species. The fee has not been increased since 2008. An increase from \$2.10 to \$3.17 per parcel was approved for 2015.

9. THE BUDGET CONTINUES ENERGY CONSERVATION EFFORTS AND IMPLEMENTS A NEW FINANCIAL STRATEGY TO ENCOURAGE COST-EFFECTIVE INVESTMENTS.

Since 2010, the County has made a series of capital investments in facilities, replaced outmoded equipment, and changed operating practices to reduce energy use. For example, the conversion of the King County Courthouse and the King County Correctional Facility from steam to natural gas saved \$1 million through 2013. As a result of this and similar investments, energy costs in 2013 were about \$2.7 million less than they otherwise would have been. The County has also received over \$3 million in utility rebates in recent years.

These efforts are continuing in the 2015/2016 biennium. To create additional financial capacity to invest in projects, the Executive is proposing a new “Fund to Reduce Energy Demand” (FRED) that will use debt financing to invest in energy and water conservation projects. County staff developed a new life-cycle cost analysis tool to evaluate potential projects for the fund. Eight projects are proposed for 2015 funding with a total of \$2.2 million in loans. These include replacement of over 800 streetlights owned by the Road Services Division with light-emitting diodes, water efficiency projects at both adult correctional facilities, an equipment upgrade at WTD’s West Point treatment plant, and lighting upgrades at several facilities. A complete list of projects is shown in [Figure 25](#). Annual savings are projected at over \$250,000 in the first year, along with a reduction of almost 1,000 metric tons of carbon dioxide. Agencies will be charged debt service to repay the bonds and will use the savings in energy and water bills for that purpose.

Fund to Reduce Energy Demand 2015/2016 Proposal

Figure 25

| Dept | Division | Proposal Name | Total Project Cost | FRED Loan Amount ¹ | Utility Rebate | Energy Savings (MMBTU/yr) | GHG Savings (tons/yr) | Annual Cost Savings (\$) ³ | Payback Period (years) ⁴ |
|--------------|----------|---|---------------------|-------------------------------|-------------------|---------------------------|-----------------------|---------------------------------------|-------------------------------------|
| DNRP | SWD | SWD Lighting | \$ 97,485 | \$ 69,112 | \$ 28,373 | 484 | 91 | 13,593 | 5.1 |
| DNRP | WTD | WTD West Point Channel Air Blower Upgrade | \$ 855,000 | \$ 855,000 | \$ 270,000 | 2,730 | - | 48,000 | 9.8 |
| DNRP | Parks | Parks KCAC Lighting | \$ 34,085 | \$ 21,791 | \$ 12,294 | 210 | 23 | 5,532 | 3.9 |
| DOT | RSD | RSD LED Conversion - KCDOT | \$ 558,711 | \$ 458,711 | \$ 100,000 | 2,043 | 662 | 79,209 | 7.4 |
| DES | FMD | FMD Jail Plumbing Controls | \$ 554,508 | \$ 554,508 | \$ - | - | - | 82,588 | 6.7 |
| DES | FMD | FMD KCCF Lighting | \$ 194,043 | \$ 136,043 | \$ 58,000 | 743 | 139 | 17,397 | 4.6 |
| DES | FMD | FMD Orcas Lighting | \$ 40,537 | \$ 29,937 | \$ 10,600 | 101 | 19 | 4,185 | 9.4 |
| DES | FMD | FMD Elections Records Warehouse Lighting | \$ 98,966 | \$ 82,966 | \$ 16,000 | 254 | 44 | 5,185 | 14.8 |
| DES | FMD | FMD RJC Solar Placeholder ² | TBD | TBD | TBD | TBD | TBD | TBD | TBD |
| TOTAL | | | \$ 2,433,335 | \$ 2,208,068 | \$ 495,267 | 6,565 | 978 | \$ 255,689 | 7.5 |

Notes: ¹The FRED Loan Amount is net of rebates with the exception of the WTD Blower project.

² The FMD RJC Solar project is still in development; Facilities Mgt. Division staff are applying for a grant which is necessary to make the project cost-effective. This will remain a placeholder until we have notification on the grant status.

³ Annual cost savings are for the first year of savings; savings increase over time as energy costs are anticipated to increase.

⁴ Payback period is calculated using a life-cycle cost analysis tool that takes into account cost and savings changes over time.



LOOKING AHEAD

The County's budget is increasingly bifurcated between funds with adequate revenues, typically from user charges or dedicated tax sources, and those with structural deficits due to limitations on revenue sources. The County's General Fund, Roads Fund, Public Health Fund, and some of the funds that are used to provide human services face chronic long-term challenges. The 2015/2016 Adopted Budget demonstrates that even strong commitments to finding efficiencies will not always be sufficient to maintain services in the face of these revenue challenges.

Without revenue reform, additional program reductions will occur in the 2017/2018 biennium.
