



**King County**

Finance and Business  
Operations Division

# PAFR

Popular Annual  
Financial Report

JANUARY 1 - DECEMBER 31, 2011

KING COUNTY, WASHINGTON

## ELECTED OFFICIALS

(at time of publication)

Office		Officials
Councilmember	District 1	<b>Bob Ferguson</b>
Council Chair	District 2	<b>Larry Gossett</b>
Councilmember	District 3	<b>Kathy Lambert</b>
Councilmember	District 4	<b>Larry Phillips</b>
Councilmember	District 5	<b>Julia Patterson</b>
Council Vice-Chair	District 6	<b>Jane Hague</b>
Councilmember	District 7	<b>Pete von Reichbauer</b>
Councilmember	District 8	<b>Joe McDermott</b>
Councilmember	District 9	<b>Reagan Dunn</b>
Executive		<b>Dow Constantine</b>
Prosecuting Attorney		<b>Dan Satterberg</b>
Assessor		<b>Lloyd Hara</b>
Elections		<b>Sherril Huff</b>
Sheriff		<b>Steven Strachan</b>
Presiding Judge - Superior Court		<b>Richard McDermott</b>
Chief Presiding Judge - District Court		<b>Corinna Harn</b>



**King County**

## VISION STATEMENT

*“King County: a diverse and dynamic community with a healthy economy and environment where people and businesses have the opportunity to thrive.”*

## MISSION STATEMENT

*“King County government provides fiscally responsible, quality-driven local and regional services for healthy, safe, and vibrant communities.”*

## IN THIS REPORT

Contents .....	1
Elected Officials .....	1
Message from FBOD .....	2
King County at a Glance .....	3
About the PAFR.....	4
<i>Financial Terms and Concepts</i> .....	4
Financial Condition .....	5
Operating Results .....	6
Capital Assets.....	10
Long-Term Debt .....	11
Cash Management.....	11
Property and Sales Taxes .....	12
Economic Conditions .....	13
Major Initiatives 2011 .....	14

### Prepared By:

Financial Management Section,  
Finance and Business Operations Division  
Department of Executive Services  
500 Fourth Avenue, Rm. 653  
Seattle, WA 98104

### Questions, comments and suggestions:

Pete Anthony, Chief Accountant  
Tel (206) 296-7341  
[pete.anthony@kingcounty.gov](mailto:pete.anthony@kingcounty.gov)

### Special thanks to the following FMS staff:

Carol Basile  
Manny Cristobal, CPA  
Martha Diesner  
Connie Hughes, CPA  
Shu-Hui Wang, CPA

### Hard copy requests:

Martha Diesner  
Tel (206) 296-7308  
[martha.diesner@kingcounty.gov](mailto:martha.diesner@kingcounty.gov)

### Find the CAFR and PAFR online at:

<http://www.kingcounty.gov/operations/Finance/FMServices/CAFR.aspx>

**Cover photo:** *RapidRide bus shelter* – Sleek new red, contoured, user-friendly bus shelters line the new RapidRide service routes in the high-traffic corridors of King County. The new system combines current technology and scheduling to make the transit experience more pleasant and convenient. RapidRide’s fuel-efficient hybrid buses now serve commuters in Federal Way, Tukwila, Bellevue and Redmond and service will soon be expanded to Shoreline, Burien, Renton and West Seattle.

July 31, 2012

## To the Citizens of King County:

It is our pleasure to present to you the 2011 King County Popular Annual Financial Report (PAFR). The PAFR is a concise, high-level financial report intended for citizens and other interested parties. The 2010 edition of the PAFR was recognized for outstanding achievement by the Government Finance Officers Association of the United States and Canada (GFOA), demonstrating the County's commitment towards high quality financial reporting and its genuine concern for citizen engagement.

The year 2011 showed signs of a broad-based economic recovery manifested in strong retail sales which boosted the County's sales tax revenues following three years of negative growth. The resurgence of the private sector and government stimulus efforts is helping to sustain the recovery but consumer confidence remains weak due to uncertainty here and abroad. The presence of vibrant companies in the county, such as Boeing and Microsoft and the diverse work force that they lure in, has tempered the recessionary impacts on unemployment — the 2011 unemployment rate in the County is lower than at both the state and federal levels. The main weakness in the County's economy is still the housing sector, where home values continue to fall due to foreclosures and new construction remains stifled by the surplus inventory. The County forecasts continued but slower decline in home valuations through 2013 with an expected turnaround in 2014.

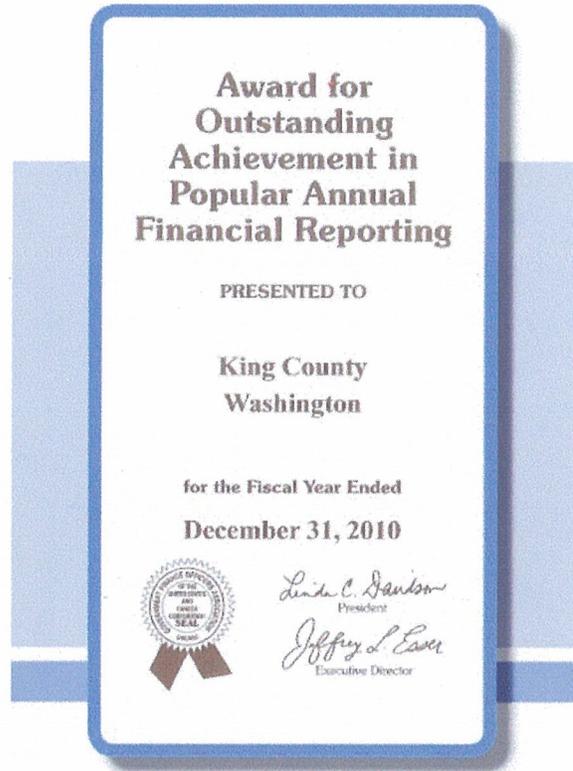
Going forward the County will continue to face other challenges including volatile energy prices, rising employee and programmatic health care costs, the cost of providing services to urban unincorporated areas, and the need to raise sufficient revenues to support utility, transit system, roads and bridges preservation, and general government activities. To meet these challenges, the County has deployed various strategies such as an annexation initiative, programs to increase efficiency and productivity, expanded use of technology, and collaboration with regional and federal partners.

As always we encourage readers to send questions, feedback and suggestions about the PAFR. Contact information is given in page one of this report.

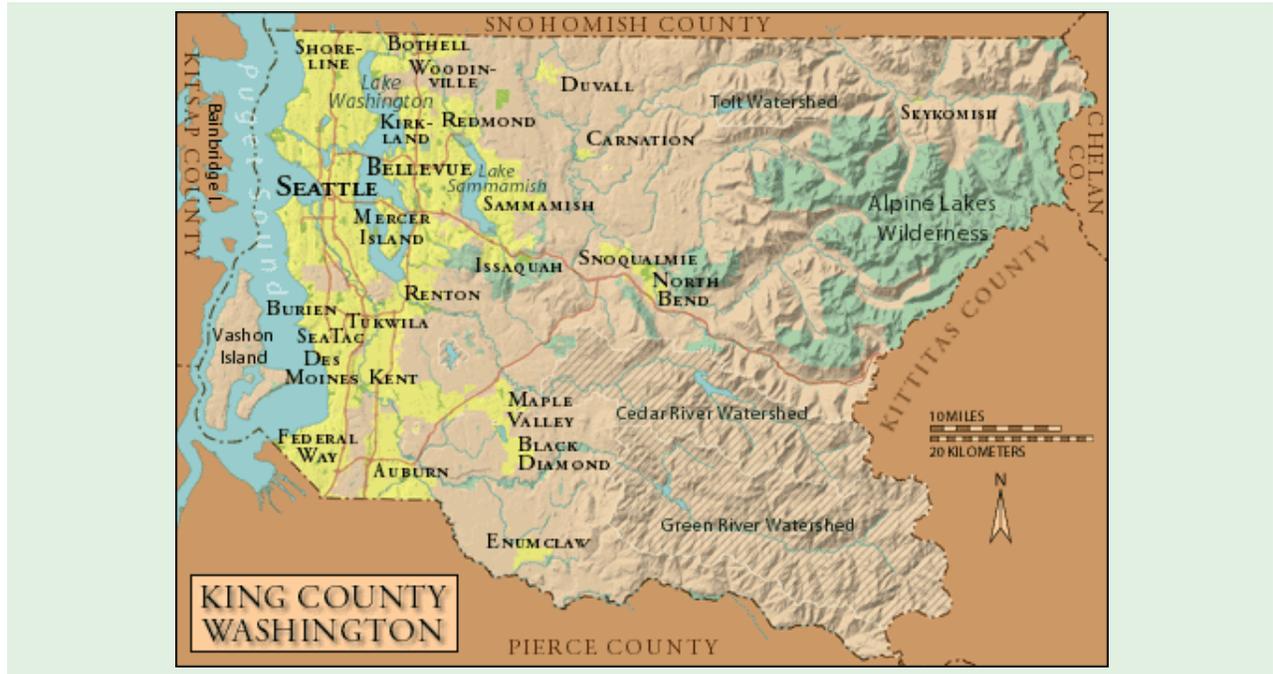
Thank you for your interest in King County.

  
\_\_\_\_\_  
Ken Guy  
Finance Director  
Finance and Business Operations

  
\_\_\_\_\_  
Pete Anthony, CPA  
Chief Accountant  
Finance and Business Operations



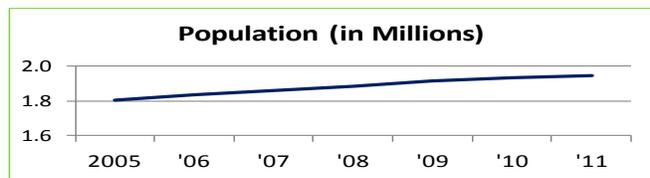
# KING COUNTY AT A GLANCE



Area	Sq. mi.	Sq. km.	King County Population	2011	2010
Total land area	2,134	5,527	Total population	1,942,600	1,931,249
Unincorporated	1,734	4,491	Number of Births	24,400	24,914
Incorporated	400	1,036	Number of Deaths	11,746	12,292

The King County incorporated area comprises 39 cities, the most populous of which are Seattle and Bellevue. King County is the largest metropolitan county in Washington in terms of population, number of cities, and employment. It ranks 11<sup>th</sup> in area among the State's 39 counties. It is the 14<sup>th</sup> most populous county in the United States.

Other Demographics	2011	2010
Population 65 yrs & up	216,949	201,552
Public School enrollment	263,249	263,512
Private School enrollment	36,282	39,429
Median Household income	\$66,174	\$66,398
Unemployment rate	8.1%	9.1%



Principal Employers by Major Industry (%)				Principal Property Taxpayers	
Trade, transportation and utilities	18	Manufacturing	9	The Boeing Company	
Professional and business services	16	Information	7	Microsoft Corporation	
Government	14	Financial Activities	6	Puget Sound Energy/Gas/Electric	
Educational and health services	12	Construction	4	Alaska Airlines	
Leisure and hospitality	10	Other	4	CenturyLink Inc.	

County Financial Data (in \$ Millions)	
Total 2011 Assessed Valuation	\$ 330,414
Total 2011 Property Tax Levy	\$ 588
General Fund 2011 Appropriation	\$ 653



# ABOUT THE PAFR

The King County Popular Annual Financial Report (PAFR) is a supplementary financial report designed to meet the needs of interested parties who prefer a less detailed overview of the County’s financial activities. While the principal source for the PAFR is the audited 2011 Comprehensive Annual Financial Report (CAFR), the PAFR itself is not audited and it does not include all the detail and disclosures necessary for presentation according to generally accepted accounting principles.

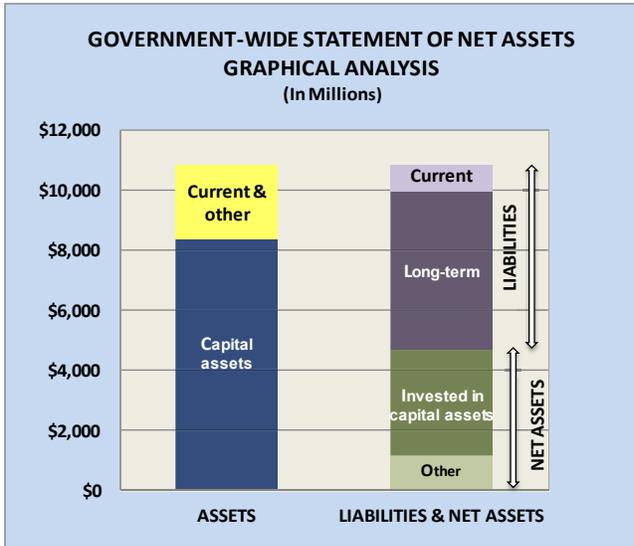
The King County PAFR focuses only on the primary government which is composed of the County’s governmental funds (including the general fund); its business-type funds; and other organizations which are closely related through common governance or exclusive relationships such as the King County Flood Control District, the King County Ferry District, and certain building management nonprofit corporations. Excluded are Harborview Medical Center, the Baseball Stadium Public Facilities District, and the Cultural Development Authority, which have more independent operations. These are reported in the CAFR as discretely presented component units, part of a broader financial reporting entity than what is shown in this PAFR.

For government-wide reporting, the County’s activities are broadly classified into two basic types according to how they are funded: governmental activities which are for the most part tax-supported, public benefit programs; and business-type activities which are typically designed and organized to recover costs through user charges. The basic reports that are presented for each of these activities and at the aggregate level include a statement of net assets and a statement of activities. Through these reports, users can assess the County’s overall financial condition and its operational accountability (e.g., were current year’s revenues sufficient to fund current year services; and, did financial conditions improve or worsen after this year’s results). Evaluations regarding fiscal accountability and stewardship, however, are better addressed by the fund-level financial reports presented in the CAFR. The County’s 2011 CAFR is available online at the King County website (See page 1).

<b>Financial Terms and Concepts</b>	
<p><b>Government-wide reporting</b> provides an aggregate view of the County’s financial activities by consolidating all of its governmental and business-type activities. Traditional governmental fund statements are converted to full accrual mainly by including in all long-term debt and capital assets.</p> <p><b>Statement of Net Assets</b> reports the County’s assets and liabilities with the difference reported as “net assets.” (Similar to a “balance sheet” or “statement of position.”)</p> <p><b>Statement of Activities</b> reports on the County’s total expenses and shows the extent of funding from program revenues and from general revenues.</p> <p><b>Change in Net Assets</b> represents the increase or decrease in net assets over the previous year.</p> <p><b>Net assets (Assets minus Liabilities)</b> represent the County’s equity interest in the assets it employs in providing services to its citizens.</p> <p><b>Assets</b> are resources that the County controls and can use at the present time to provide services.</p> <p><b>Accrual basis</b> of accounting is where financial transactions or events are recorded in the period they are incurred rather than at the time when cash is received or disbursed.</p>	<p><b>Current assets</b> include cash or near cash items that can be used to liquidate liabilities due within a year.</p> <p><b>Capital assets</b> are tangible or intangible nonfinancial assets that have a useful life of more than one year and are used in providing services.</p> <p><b>Liabilities</b> are present obligations of the County or what it owes to creditors, vendors, other governments, etc.</p> <p><b>Current liabilities</b> are liabilities due within one year.</p> <p><b>Invested in capital assets net of related debt</b> is the portion of <u>net assets</u> that represents the County’s equity interest in its capital assets (capital assets less the amount of debt used to acquire them).</p> <p><b>Restricted net assets</b> is the portion of <u>net assets</u> subject to external restrictions (state law, bond covenants, etc.).</p> <p><b>Unrestricted net assets</b> is the portion of <u>net assets</u> not tied to capital assets or subject to legal restrictions, hence, can be programmed for services.</p> <p><b>Fund balance</b> is used only in <u>governmental funds</u>, such as in the general fund, to denote the difference between fund assets and fund liabilities.</p>

# FINANCIAL CONDITION

The County's government-wide assets, liabilities and net assets for the primary government as of December 31, 2011 are depicted below.



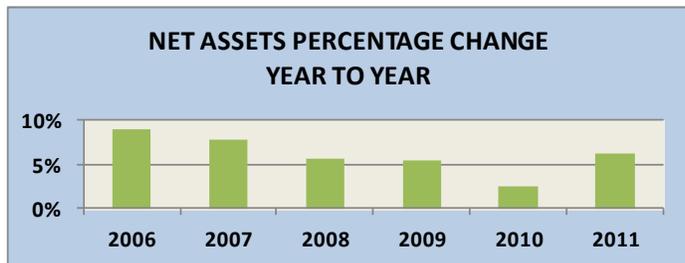
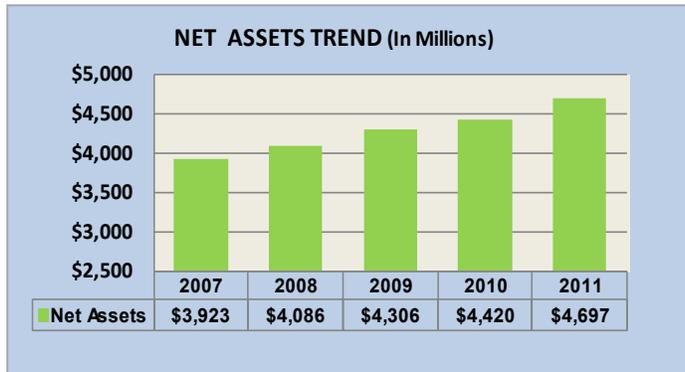
**STATEMENT OF NET ASSETS**

(in millions)	Governmental Activities	Business-type Activities	Total Primary Gov't
<b>Assets</b>			
Current and other assets	\$ 1,107	\$ 1,271	\$ 2,378
Capital assets	2,782	5,606	8,388
<b>Total Assets</b>	<b>3,889</b>	<b>6,877</b>	<b>10,766</b>
<b>Liabilities</b>			
Long-term liabilities	1,277	4,029	5,306
Other liabilities	338	504	842
<b>Total Liabilities</b>	<b>1,615</b>	<b>4,533</b>	<b>6,148</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	1,926	1,619	3,545
Restricted	465	312	777
Unrestricted	(117)	492	375
<b>Total net assets</b>	<b>\$ 2,274</b>	<b>\$ 2,423</b>	<b>\$ 4,697</b>

Net assets (assets minus liabilities) may serve over time as a gauge of a government's financial condition. The County's net assets amounted to \$4.7 billion at the end of 2011, a 6 percent increase over 2010. In both governmental and business-type activities, net assets invested in capital assets net of related debt makes up the biggest portion of net assets. This amount is associated with the County's equity in its capital assets. Because capital assets are acquired to provide service over several periods or indefinitely, this portion is not available for future spending. Although this portion of net assets is calculated net of related debt, the resources needed to pay down the debt must come from other more liquid resources. A smaller portion of net assets represents net assets that are legally restricted as to use by law or contract, such as bond proceeds for capital construction, resources reserved for debt service, or funds mandated for specific programs.

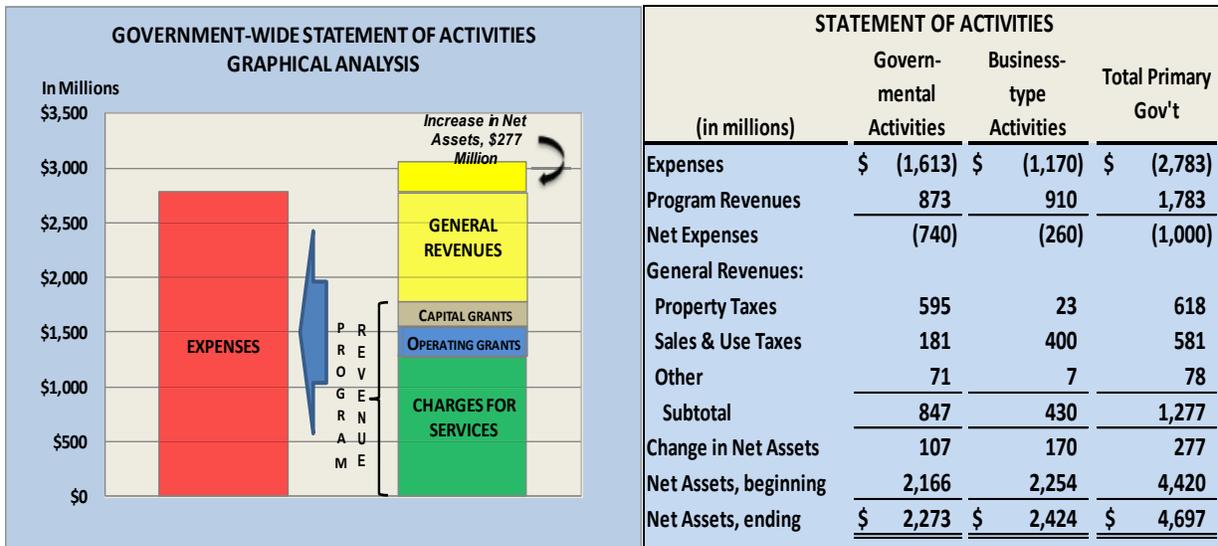
The remaining portion of net assets is unrestricted net assets representing resources that are available for programming. In certain situations, however, the calculation of unrestricted net assets can sometimes result in a deficit, such as when debt is incurred to acquire assets for another government; or when capital assets are retired before full debt redemption. Over time the deficit gets reduced as liabilities are gradually liquidated.

Over the past six years net assets have increased on average by 6 percent per year. In 2011, that growth rate has continued.



# OPERATING RESULTS

Overall financial results of the County’s government-wide operations are depicted in the following chart which shows the total 2011 expenses incurred, the extent of program revenues raised or recovered, and the residual



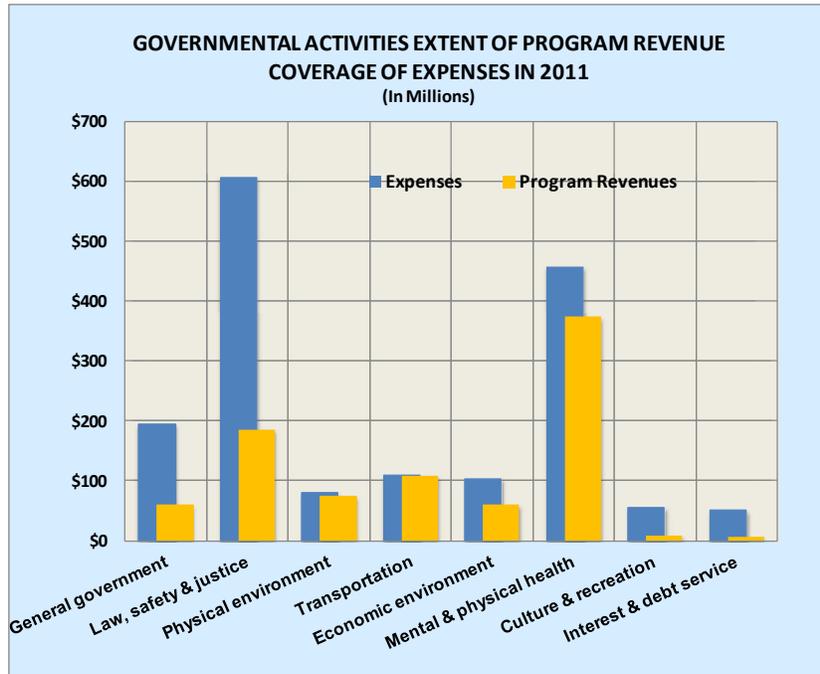
coverage provided by general revenues (in millions). The increase in the County’s total net assets in 2011 resulted from revenues exceeding related expenses and reflects the ability of the County to meet debt service requirements and other obligations as they come due. Approximately 45 percent of the County’s total revenues came from general sources (mostly property taxes and retail sales and use taxes); and 55 percent were from program revenues such as charges for goods and services, operating and capital grants, and contributions (including state and federal assistance). Total tax revenue was almost unchanged in 2011 from 2010. The County’s expenses cover a wide range of services, the largest of which are for law, safety and justice and mental and physical health (under governmental activities); and public transportation and wastewater treatment (under business-type activities).

King County provides some services regionally and others exclusively to local (unincorporated) areas. Some are available to cities on a contract basis. The table below gives some of the major services provided by the County.

MATRIX OF SERVICES		REGIONAL	LOCAL (includes all regional)	CONTRACTED
<b>G O V E R N M E N T A L</b>	<i>General government</i>	Elections, property services, auto licensing, pet services	Executive and council functions	n.a. (not applicable)
	<i>Law, safety and justice</i>	Superior Court, criminal detention, E911 emergency	Sheriff protection, District Court, public defense, misdemeanor prosecution	Law enforcement, District Court, detention
	<i>Physical environment</i>	Flood control	Surface water management, land use and conservation, agricultural services	n.a.
	<i>Transportation</i>	Ferry service	Roads and bridges maintenance	Roads and bridges maintenance
	<i>Economic environment</i>	(local only)	Building permits, zoning, housing and community development	n.a.
	<i>Mental and physical health</i>	Public health, mental health programs, vital statistics	(regional only)	n.a.
	<i>Culture and recreation</i>	Parks	Public art, historic preservation	n.a.
<b>BUSINESS-TYPE ACTIVITIES (Enterprise)</b>		Wastewater treatment, transit, solid waste disposal, airport, institutional network, radio communications	(includes all regional)	n.a.

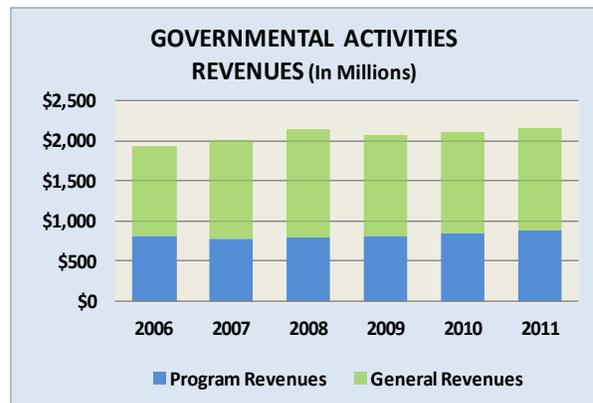
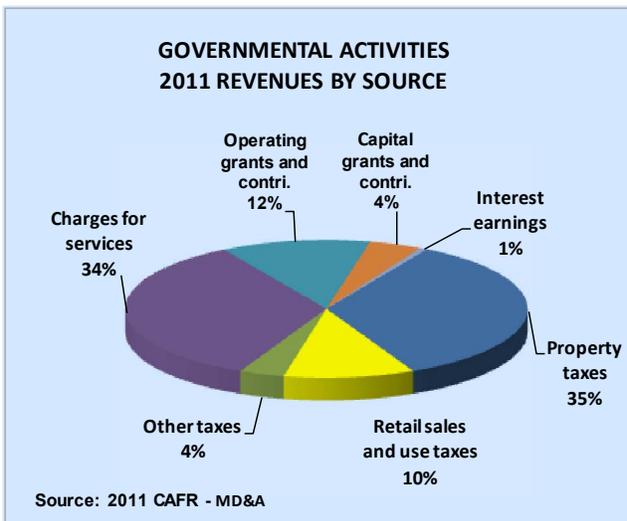
**Governmental activities** accounted for 39 percent of the total growth in net assets countywide. Program revenues for governmental activities totaled \$873 million, with \$593 million coming from users or customers who directly benefited from the programs and \$280 million from other governments and organizations that subsidized certain programs through operating and capital grants and contributions. The cost of all governmental activities was \$1.6 billion. The County paid the \$740 million remaining “public benefit” portion of governmental activities from \$595 million in property taxes, \$181 million in retail sales and use taxes, and \$71 million in other general revenues. The end result was an increase in net assets of \$107 million.

Costs went down 2 percent from 2011-10 compared to the 2010-09 increase of 4 percent. The bar chart shows the County’s governmental activities expenses by program classification with the extent of funding from program revenues. Portions of expenses that exceed program revenues are covered by general revenues. Law, safety and justice required the greatest usage of general government revenues. The primary revenue sources for mental and physical health are charges for services and operating grants and contributions, which paid for 81 percent of the activities for that function. Contributions of infrastructure (paved roads and rights-of-way) from private residential and commercial developers, valued at \$33 million, enabled transportation program revenues to exceed expenses by \$282 thousand. The net amount of these and other capital contributions comprise the increase in 2011 governmental activities net assets. This represents a significant decrease from 2010 contributions of infrastructure of \$82 million and the resulting increase to 2010 governmental activities net assets of \$13 million.



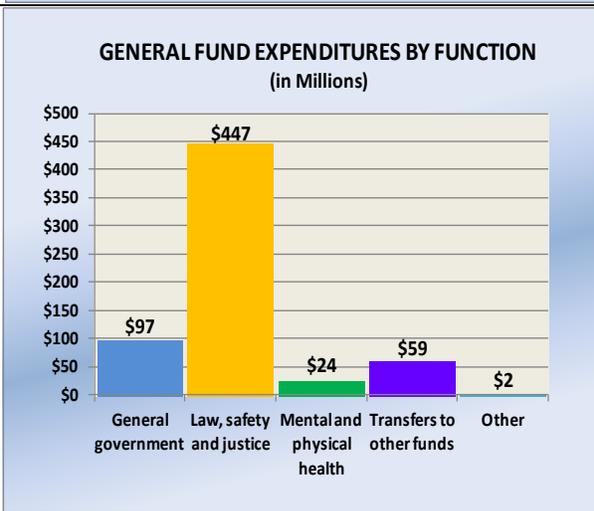
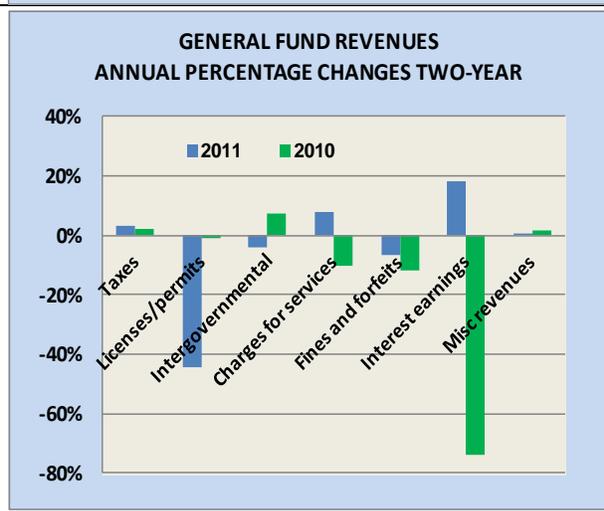
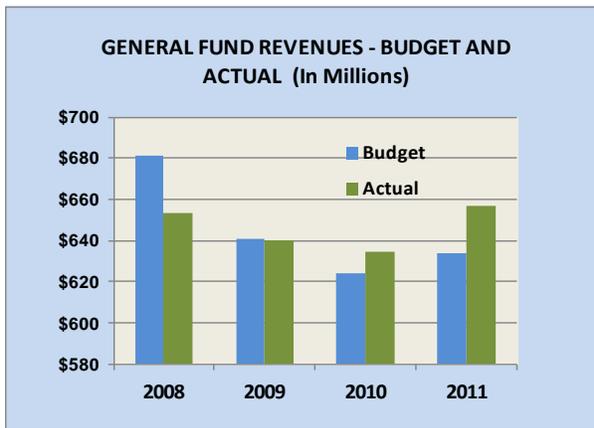
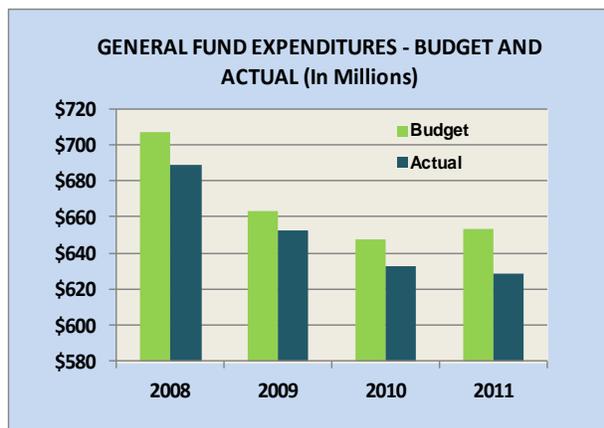
Contributions of infrastructure (paved roads and rights-of-way) from private residential and commercial developers, valued at \$33 million, enabled transportation program revenues to exceed expenses by \$282 thousand. The net amount of these and other capital contributions comprise the increase in 2011 governmental activities net assets. This represents a significant decrease from 2010 contributions of infrastructure of \$82 million and the resulting increase to 2010 governmental activities net assets of \$13 million.

Revenue distribution by source is shown in the pie chart. Charges for services provided 34 percent and property taxes 35 percent of total governmental activities revenues. The bar chart shows the six-year trend of governmental revenues. Program revenues grew by about 1 percent annually.



## General Fund Highlights

The General Fund is the chief operating fund of the County. At the end of 2011, total fund balance in the General Fund was \$135 million. After deducting legal reserves and amounts voluntarily set aside for specific purposes, the remaining available amount to spend is \$97 million. The total fund balance in the General Fund (excluding the Rainy Day Fund) represents 20 percent of fund expenditures compared to the prior year's 15 percent ratio. Total revenues and other sources were \$657 million; a 3 percent increase over 2010.



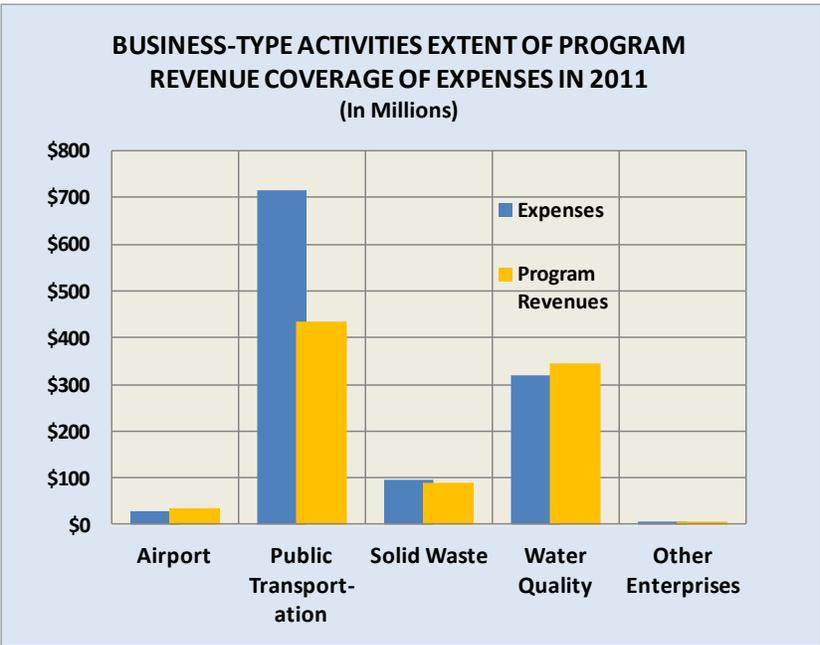
## General Fund - Budget to Actual

The 2011 General Fund budget-to-actual comparison is shown on the right. Actual expenditures were below the final budget by \$25 million (\$8 million in general government services; \$7 million from law, safety, and justice; and \$10 million from planned contributions to other funds). During the year actual revenues were more than budgeted estimates by \$23 million with a net effect of increasing fund balance by \$31 million. The General Fund will continue to be constrained by the "structural gap" in funding – property taxes are capped at various levels while the cost of providing services continues to escalate. Add to this the sluggish economic recovery and one can see the difficult decisions that the County will continue to face going forward to balance the budget while continuing to provide basic services.

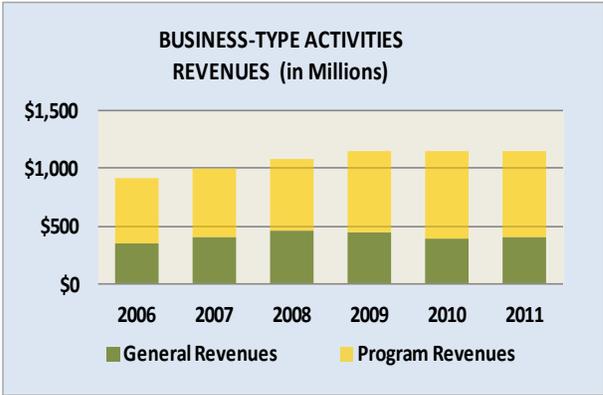
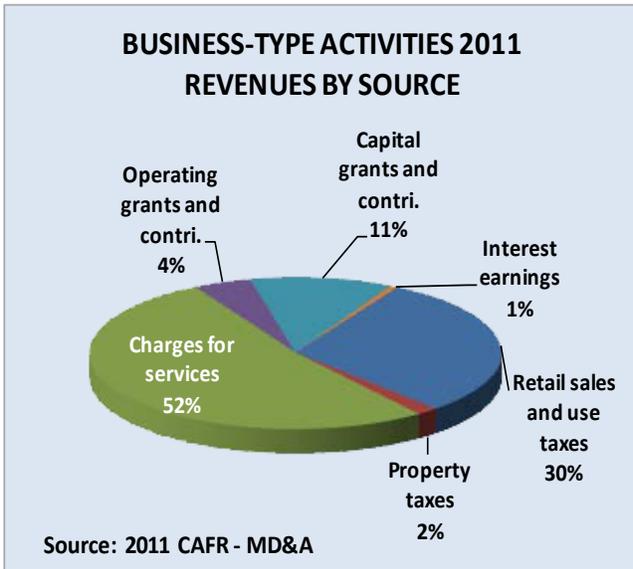
GENERAL FUND BUDGET TO ACTUAL (In Millions)			
Final budget	\$ 633		
Actual expenditures	628		
<i>Variance</i>		\$ 25	
Estimated revenues	\$ 634		
Actual revenue	657		
<i>Variance</i>		\$ 23	
Excess (budgetary basis)	\$ 29		
Adjust to GAAP	2		
Net change in fund balance	\$ 31		

Source: 2011 King County CAFR

**Business-type activities** increased countywide net assets by \$169 million in 2011, accounting for 61 percent of the total growth in net assets. Total revenues for business-type activities were \$1.3 billion. The cost of all business-type activities for 2011 was \$1.2 billion. Of that amount 78 percent or \$911 million was funded from program revenues, including \$698 million in charges for services, \$61 million from other governments that subsidized certain programs with operating grants, and \$152 million in capital grants and contributions. The chart shows the County's business-type expenses and the extent of coverage from program revenues (user charges). Excess of net expenses are made up from general revenues. Public Transportation program operations are subsidized by retail sales and use taxes, which amounted to \$400 million in 2011 and property taxes (beginning in 2011) in the amount of \$23 million.



Revenue distribution by source for business-type activities is shown in the chart below. Direct charges for services accounted for 52 percent of revenues with retail sales and use taxes comprising 30 percent. The bar chart that follows shows the six-year trend in business-type revenues. Program revenues have increased noticeably over the past three years while the share of general revenues has decreased, reflecting the weak sales and use tax performance.



# CAPITAL ASSETS

The County invests significantly in capital assets to increase the efficiency in delivering vital services and to promote a good quality of life for its citizens. The County's capital assets range from the industrial-scale plants built for wastewater treatment and waste disposal, to the public infrastructure networks of roads and bridges, and to the conservation-oriented acquisitions of open space land and land rights. The County's investment in capital assets at December 31, 2011, amounted to \$8.4 billion with about 67 percent accounted for by business-type activities. Business-type capital assets typically generate the revenues that allow County enterprises to recover their operating and capital costs. Governmental capital assets, on the other hand, are non-revenue generating and therefore are preserved or maintained using general revenues.

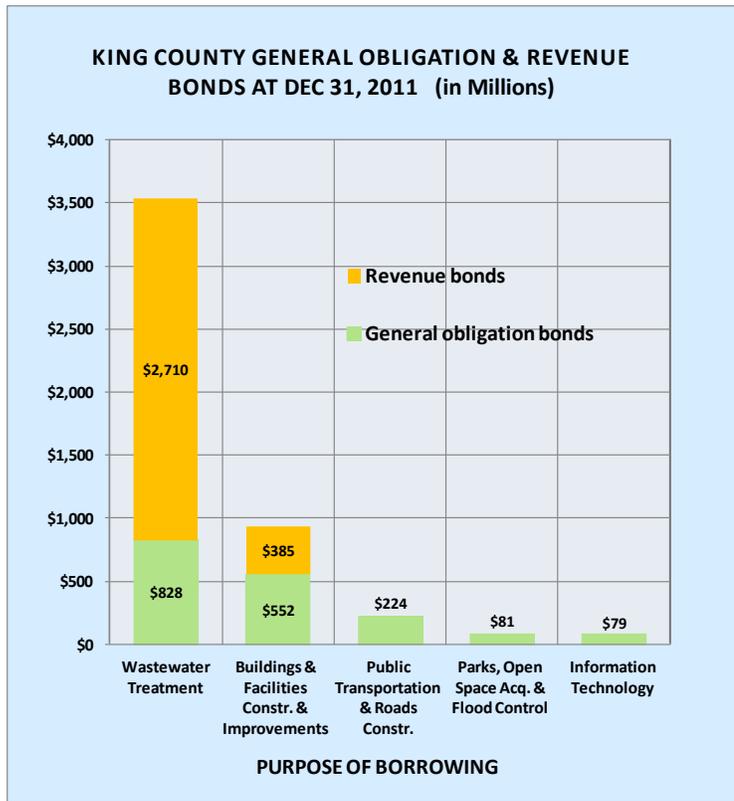


Significant capital assets activity during 2011 included the following:

- Construction was completed on the new Brightwater Treatment Plant and the associated conveyance system. Construction activities are simultaneously ongoing in the treatment plant, the conveyance systems and ancillary facilities. The treatment plant began operations in September 2011 with the conveyance systems to be completed in 2012.
- The Transit Division deployed another RapidRide line in East King County in 2011 with four more lines to come in 2012 and 2013. The new RapidRide buses provide commuters with faster times and modern bus amenities such as low floors and three doors.
- Development work continued in the Accountable Business Transformation (ABT) project to replace and integrate the County's financial systems. The new financial system went live on January 1, 2012.
- Construction of a new bridge to replace the 81-year old South Park Bridge began in May 2011. The bridge is expected to be open by mid-2013, with project completion in late 2013. Once complete, the new bridge will reconnect the County's historic industrial heartland and neighborhoods in the Duwamish Valley.
- The Solid Waste Division is constructing a new transfer and recycling station to replace the outdated transfer facility in South King County. The upgrades will improve safety and operational efficiency and accommodate projected future growth in the region. The new station is scheduled to open in 2013.

# LONG-TERM DEBT

At the end of 2011 the County had a total of \$4.9 billion in bonds and notes outstanding. This amount comprises \$1.8 billion of general obligation (GO) bonds and \$3.1 billion of revenue bonds. GO bonds are backed by the full faith, credit, and taxing power of the government while revenue bonds are secured by specific revenue sources (e.g., sewer fees, lease payments, etc.). The County uses revenue bonds to finance the major portion of its wastewater treatment facilities. State statutes limit the amount of GO bonds that the County can issue. As of 2011 the County's total GO bonds is less than 15 percent of the legal debt margin as stipulated for debt used for county purposes and metropolitan functions. The Wastewater Enterprise is obligated under bond covenants to set rates that will cover at least 1.15 times the annual debt service requirements on all outstanding revenue and GO bonds. The actual coverage rate for 2011 was calculated at 1.42. In 2011, the County refinanced older bonds which will result in eventual savings of approximately \$75 million in debt service costs.



All of the County's bond issuances consistently receive exceptional ratings from the leading industry credit rating agencies allowing the County to borrow at favorable interest rates. Current ratings as of the date of this report are shown on the right. A Moody's rating of "Aaa" means the debt has the lowest level of risk; a Standard & Poor's rating of "AAA" signifies that the issuer's capacity to meet its commitment on the debt is extremely strong; and a rating of "AAA" from Fitch denotes the lowest expectation of default risk.

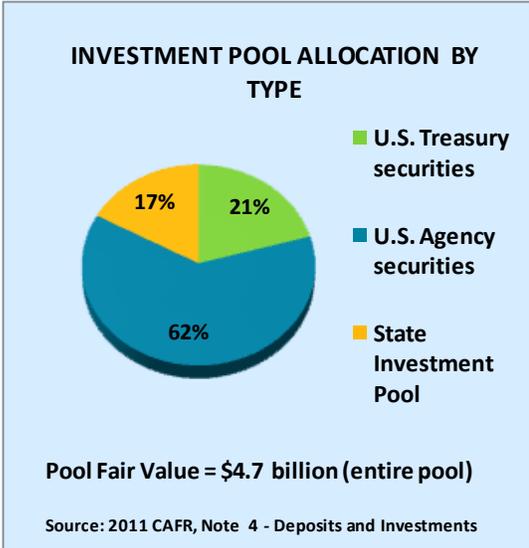
RATING AGENCY	GENERAL OBLIGATION BONDS		SEWER REVENUE BONDS
	Limited	Unlimited	
Moody's	Aa1	Aaa	Aa2
Standard & Poor's	AAA	AAA	AA+
Fitch	AA+	AAA	-

# CASH MANAGEMENT

The County's bank deposits in Washington State are insured under the Federal Deposit Insurance Corporation up to the maximum standard insurance amount. Additional protection of government deposits is provided by the Public Deposit Protection Commission of the State of Washington (a multiple collateral pool) which has the power to: 1) require public depositories to put up collateral for up to 100 percent of their public deposits, and 2) assess all public depositories a maximum of 10 percent of its uninsured public deposits in case of a bank failure.

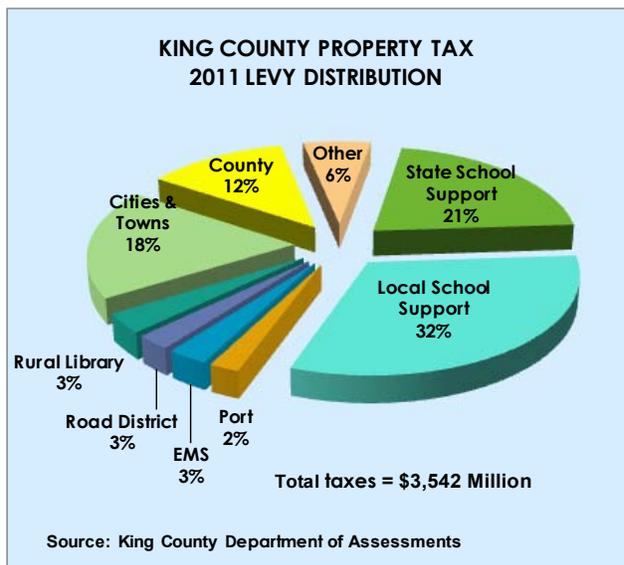
For investment purposes and to manage liquidity, the County pools the cash balances of all County funds and other legally separate local agencies in an investment pool. The King County Investment Pool (the Pool) is one of the largest in the State of Washington with a fair value as of December 31, 2011, of \$4.7 billion. The Pool's investment objectives, in order of priority, are safety, liquidity and yield. An investment policy guides decisions on sector allocations, credit quality, and maturity distributions. At year-end the Pool holds over 80 percent of investments in U.S. Treasury and Agency securities. The State Investment Pool is an independent pool which also has significant holdings in federal securities. The high weight in federal securities and a low average duration resulted in an annual yield of less than one percent.

The Pool is managed by the King County Treasury Operations Section and overseen by the Executive Finance Committee (EFC), which consists of the Chair of the County Council, the County Executive, the Director of Performance, Strategy and Budget, and the Director of the Finance and Business Operations Division, or their designees. The EFC sets policies and procedures for the effective management and control of the Pool's activities. The Pool is currently subject to quarterly reviews by an independent consultant with respect to policy compliance, sector and issuer allocation, credit quality, and maturity structure. At December 31, 2011, the review indicated that the Pool is highly liquid, with high credit quality and minimum credit exposure.



## PROPERTY AND SALES TAXES

The County levies taxes on behalf of the State and many local jurisdictions, retaining only 12 percent of the total for its programs and services. The County is authorized to levy both "regular" property taxes and "excess" property taxes. Regular property taxes are subject to limitations as to rates and amounts and are imposed for general municipal purposes, including the payment of debt service on limited tax general obligation bonds. "Excess" property taxes may also be imposed when authorized by majority popular vote and are not subject to limitation.



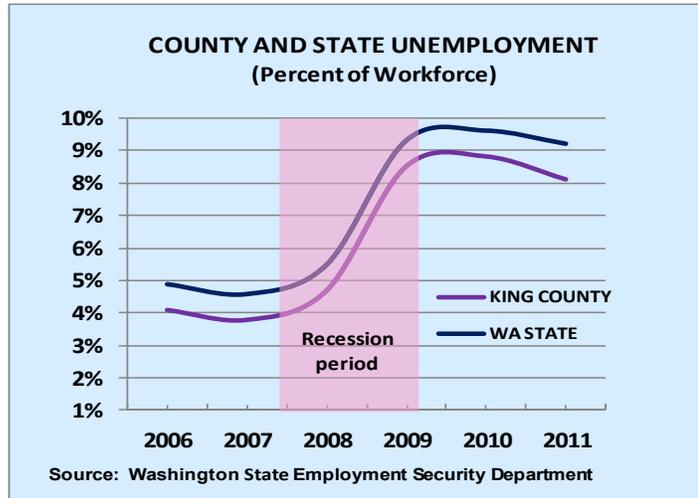
The County Assessor determines the value of all real and personal property throughout the County that is subject to *ad valorem* taxation, with the exception of certain public service properties for which values are determined by the State Department of Revenue. The Assessor's determinations are subject to revision by the County Board of Appeals and Equalization and, if appealed, subject to further revision by the State Board of Tax Appeals.

For tax purposes, the assessed value of property is 100 percent of its true and fair value. Since 1996, all property in the County has been subject to on-site appraisal and revaluation every six years, and is revalued each year based on annual market adjustments.

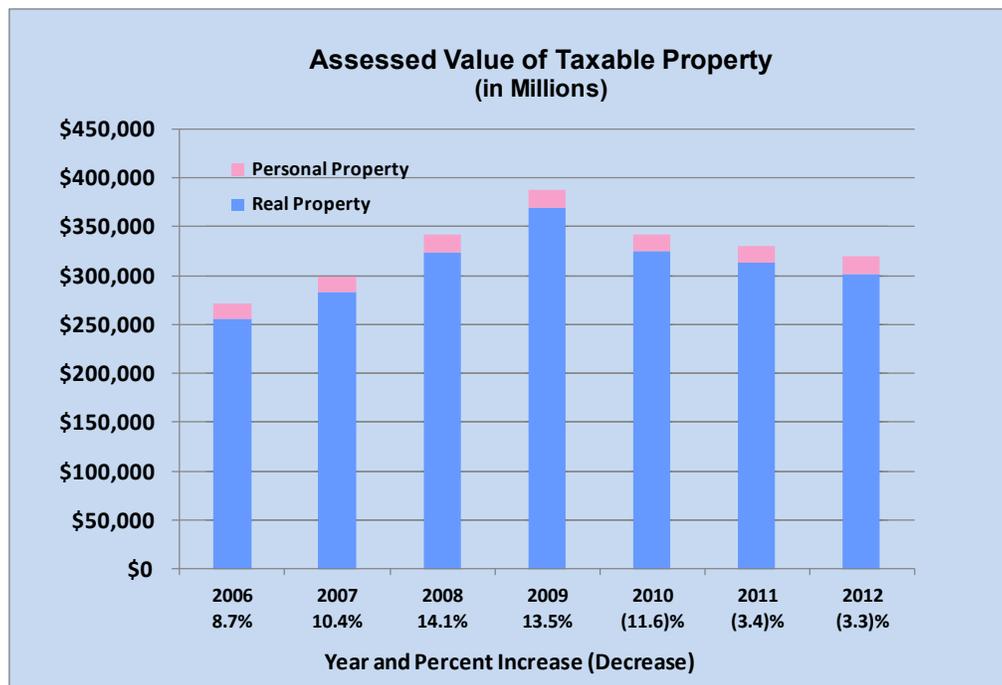
Another major source of revenue for the County is sales tax receipts. A sales tax rate of 9.5 percent is assessed in King County where 6.5 percent goes to the State, and the balance is allocated to the County, Cities and Towns, Regional Transit Authority, and other programs.

## ECONOMIC CONDITIONS

The increasing diversification of the County’s employment base has been an important buffer during the economic downturn, and some employment sectors began to grow again in 2011. The County unemployment rate in 2011 was 8.1 percent and continues to steadily decline. This was less than the 9.2 percent unemployment rates for the nation and Washington State. The region’s two most prominent employers, Boeing and Microsoft, retain strong demand for their products. For the first time in three years, the Undesignated General Fund collections saw a growth rate of 6.6 percent in General Fund sales tax revenues, aided by a statewide tax amnesty program.



However, the County’s economy is still dealing with the after effects of recessionary weakness and real estate decline. Total assessed valuation (TAV) fell by 3.4 percent for tax year 2011 and an additional 3.3 percent is projected for tax year 2012. Despite the downward pressure, TAV per capita is relatively high at \$167,000. Taxpayer concentration is low, with the top ten property taxpayers accounting for less than five percent of 2012 TAV.



---

# MAJOR INITIATIVES

---

The County is engaged in a number of major initiatives guided by the County's strategic plan:

- King County is back on sound financial footing, through performance-based management that is reducing growth in the cost of government and leading to budgets that are sustainable and live within means.
- King County implemented new Human Resource / Payroll and Financial Systems that will transform County business practices.
- Employees are creating efficiencies - including driving down growth in health care costs by \$61 million over two years - that enable the County to provide the same level of services at 3 percent less cost.
- Construction is underway on a new South Park Bridge, replacing an unsafe structure that had no plan for financing.
- The switch has been flipped on operation of the Brightwater treatment plant - the most extraordinary regional investment in clean water in a generation - and mining was completed on a 13-mile conveyance tunnel.
- A new regional model for animal services has won the participation of 27 cities, turned around the operation, and brought down the rate of animal euthanasia from 40 percent to 14 percent.
- Creation of a new King County Aerospace Alliance will support construction of the Boeing 737 MAX and the local supply chain, promote workforce development, and help retain thousands of family-wage jobs in aerospace design, construction, and assembly.
- A new fixed-fee model for building permits, replacing hourly rates, has brought new transparency and predictability to the permitting process, along with creation of a customer service unit for rural property owners.
- Opportunities are increased for small and historically disadvantaged businesses by creating a small-works roster to speed up contracting on small construction projects, and by joining with the Port of Seattle and other agencies to create shared standards for certification of small contractors and suppliers.
- The region has ended the arbitrary political divisions that governed the provision of bus service, and is now following a new transit strategic plan that allocates service equitably and efficiently.

Other notable achievements during 2011 were as follows.

- The County in collaboration with local partners moved forward with the long-awaited plan to develop the parking area (North Lot) situated next to CenturyLink Field stadium. A modern planned community of mixed residential and commercial uses with ready access to mass transit will be built and is expected to generate jobs and stimulate economic activity.
- The Howard Hanson dam located in Southeast King County has been repaired and is now operating at normal capacity. The County played a major leadership role in securing funds for the critical repairs and in establishing emergency preparedness in the affected region.
- The County centralized most of its information technology functions. This is expected to reduce costs due to economies of scale and the standardization of processes and applications.

