



## Keep Costs Down

### Objective:

Keep the county's cost of doing business down, including keeping growth in costs below the rate of inflation

### How is our performance?

In general, cost growth has been limited by several actions. The last three budget cycles have included a drive for efficiencies at the appropriation unit level. An improvement in efficiency occurs when at least the same amount of service, with at least the same quality, is delivered for less growth in cost than would typically have been experienced or more services are delivered for the same cost. Efficiencies have been tracked over the last few years by PSB and reported during the budget process.

In addition, the employee benefits annual cost growth has been reduced to 4 percent from double digit levels just three years ago. This is an example of a countywide efficiency that has helped lower the overall expenditure growth rate of all services. Other efforts such as renegotiated COLAs and better budgeting techniques, combined with the above efficiencies have further reduced the cost growth for the County. However, the cost growth still exceeds inflation.

As a key component of the Financial Stewardship Goal, King County monitors local inflation and population growth regularly and is committed to keeping its costs in line with these rates. From 2007 to 2011 the annualized rate of inflation and population growth was 3.7 percent. Because many of the County's revenue sources do not grow at the rate of inflation, notably property tax, some funds will grow even slower than inflation.

In order to track its progress towards this goal, the County has compiled historic year over year growth rates for the largest operating funds and for five central service categories. These calculations are based on actual expenditures (as opposed to budgeted expenditures) and capture the dollars spent on these services over time, regardless of service level changes.

The fund perspective shows which funds are growing faster than the goal and which are growing slower. It is important to note that the strategies associated with this objective focus on finding ways to provide the same or an improved level of service while remaining within the goal for expenditure growth. When funds reduce service levels due to revenue constraints, they are not necessarily achieving the goal. In some cases, there may be reductions or increases in costs that are a direct reflection of changes in service levels or that are impacted by changes in revenue sources. What is more important to track is the growth rate over time and to understand the reasons behind changes in growth rates. For example, the growth rate in Mental Illness and Drug Dependency Fund expenditures appears large because this is a new fund that has been ramping up expenditures since 2008.

Central services are basic business infrastructure services provided centrally to all County funds,

such as health benefits, technology, facilities management, and Executive/General Fund. Because central services are charged to most County agencies, they are an important component of the County's success in achieving its objective to keep the cost of doing business down. By isolating central service charges, the County can see whether they are over the growth rate benchmark and determine if there are adjustments that can be made to those services that will have a positive fiscal impact on the entire County. Central services that grow at or below the benchmark goal can be studied to determine if they have instituted programs that can be used in the rest of the County or if they have simply been reducing service levels as a result of revenue pressures. There are additional costs associated with debt service and capital investments that are not included in these direct central service charges.

## **Moving forward**

The growth rate of costs will continue to be monitored and will be a source of discussion in the County's planning process. Managers and decisions makers will use this data to inform future decisions and to find areas for future economic and financial analysis. These growth rates will also serve as a look back for how spending patterns have aligned with strategic and policy decisions.

## **Related Links**

[\*\*King County Lean Efforts\*\*](#)

[\*\*King County Demographic Data\*\*](#)

[\*\*King County Forecasting Data\*\*](#)

[\*\*King County Strategic Plan\*\*](#)

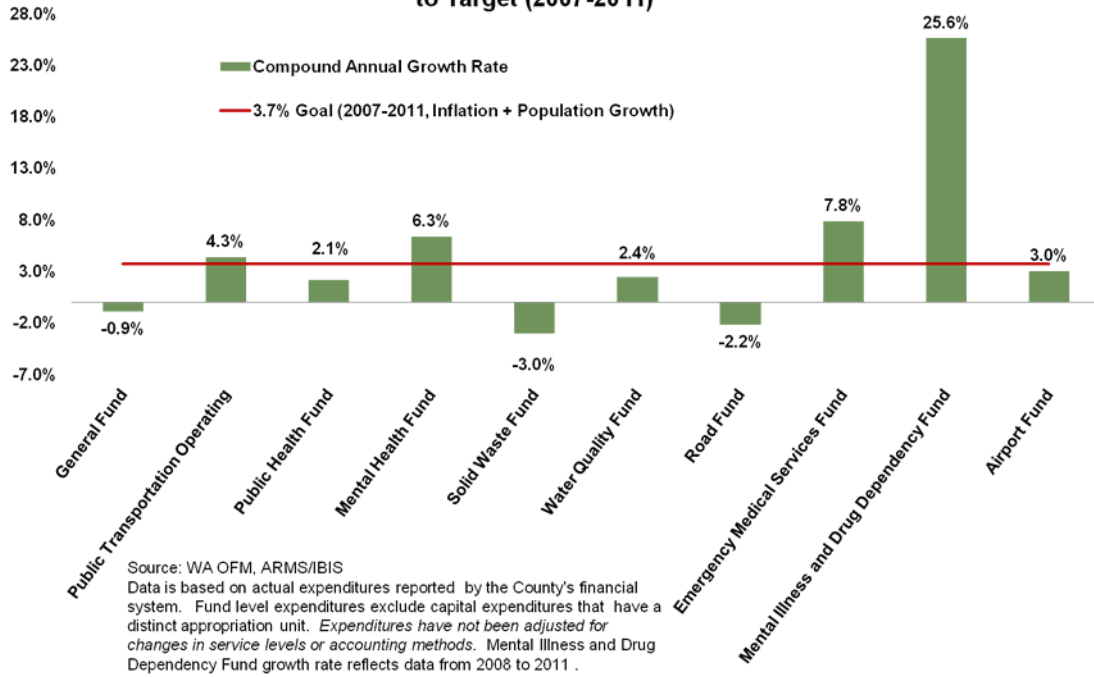
## **Technical Notes**

1. Local inflation is based on Seattle CPI-W as reported by the Office of Economic and Financial Analysis.
2. Population growth is based on data provide by Washington Office of Financial Management.
3. Expenditure data is based on County financial systems (ARMS and IBIS) queries for 2007 to 2011.
4. Fund expenditures exclude capital expenditures that have a distinct appropriation unit. Expenditures have not been adjusted for changes in service levels or accounting methods. Mental Illness and Drug Dependency Fund growth rate reflects data from 2008 to 2011.
5. Central service expenditures exclude contributions to capital projects and debt service. Executive/General Fund services include charges for services such as legal advice, financial accounting, real estate management, legislative support, and records management.

## **Charts and Maps**

# Charts and Maps

**Annualized Expenditure Growth Rates for 10 Largest Operating Funds Compared to Target (2007-2011)**



**Annualized Growth Rates for Central Service Categories Compared to Target (2007-2011)**

