



Best-Run Government: Financial and Cost Management

Every day, King County works to become the best-run government in the United States – a government that earns public trust through effective stewardship of resources, improved performance and processes, and results that have a positive effect on the lives of all King County residents. The 2019-2020 proposed budget continues to prioritize strong financial management, as well as investments that work to reduce costs and increase the quality and quantity of services delivered.

BACKGROUND

Since Executive Constantine took office in 2009, King County has made strengthening its financial position a top priority. Accomplishments include:

- Maintaining the highest possible bond ratings for all County bond issuances despite the revenue limitations legislated at the state level.
- Reducing the cost growth of the County's employee benefits programs, so that in the 2019-2020 budget the County's per employee contribution to health care is unchanged from 2018. Most large employers estimate annual increases of six percent.
- Developing recession reserves in the sales tax funds that are most at risk during an economic downturn.
- Creating a comprehensive set of financial policies and standardizing a financial monitoring process that provides a forum and tools to manage risk and optimize the health for each of King County's 140 different funds.
- Saving over \$540 million in interest costs from 2013-2017 through the aggressive refunding of debt, in addition to other improvements in debt practices such as making certain projects are not financed for longer than their useful life and reducing the use of interim financing so that debt payments are made sooner and overall interest payments are reduced.
- Identifying over \$100 million that could be utilized for programs or put in reserves by standardizing fund balance calculations.

2019-2020 COST STRATEGY

During the 2019-2020 biennium, King County will continue its work to maintain strong financial management practices, while implementing a countywide cost strategy aimed at keeping cost growth below the rate of inflation and population growth. Highlights of this effort include:

Significant budget investments will be systematically reviewed for effectiveness, and the County will work on projects designed to generate efficiencies or cost savings.

- King County will monitor the effectiveness of 40 new budget investments on a quarterly basis in order to develop recommendations to continue, expand, or end the investment in the next biennium.



King County

2019-2020 Proposed Budget

- The County will launch multiple enterprise-wide projects with the explicit goal of reducing costs or limiting cost increases in the next biennium. These projects may explore significant changes such as centralizing functions, optimizing the scope and size of overhead functions, and curbing central rate growth. These projects will be managed collaboratively between Executive and department staff.

A new reserve will encourage collaboration and efficiencies in the Criminal Justice system, which makes up more than 70 percent of General Fund expenditures.

- The Criminal Justice Incentive Reserve is designed to encourage criminal justice agencies to collaborate and implement ongoing process efficiencies and cost reductions.
- The reserve will support new investments that will reduce costs or create system efficiencies. Alternatively, the reserve will be used to incentivize agencies that can implement efficiencies without the need for a new investment.

Products and services will be monitored in a more detailed and formal manner to help identify areas for optimization.

- The Department of Local Services will report on 20 products delivered in the unincorporated areas of King County. The product catalogs will develop a common understanding of quality, quantity, and the cost of local services and identify ways to improve services for residents.
- In addition, each County division will identify two cost-per-unit metrics for regional county services. These measures will be tracked on a monthly basis and used to set performance targets. Each division will identify at least one project that demonstrates the ability to plan and implement changes that reduces the cost per unit.

King County will manage all funding sources in a consistent, systematic, and innovative way.

- The County will continue to work internally and with external rating agencies to maintain the highest possible bond ratings and secure the lowest possible interest rates for major capital investments. This includes comparing County finances and practices to other highly rated governments to identify new strategies and to improve financial performance.
- Financial monitoring will continue for all County funds. Funds at risk of negative fund balances or reserve shortfalls will be monitored more frequently and progress toward stabilizing funds will be visible.

King County will identify the competencies and behaviors consistent with strong financial management and analysis and hire and train for those competencies.

- Executive staff will work collaboratively with the Department of Human Resources and department leadership to identify hiring and promotion strategies that encourage strong financial and cost management at multiple levels of the organization.
- The Department of Human Resources will develop training opportunities and in some cases requirements that are focused on enhancing the County's ability to manage costs, analyze financial data, and deliver more and better services with current resources.