

EXECUTIVE MESSAGE
&
ADOPTING ORDINANCE

December 5, 2003

TO: Pierce County Citizens
Pierce County Council

FROM: John Ladenburg, County Executive

SUBJECT: 2004 Pierce County Budget

The Executive's Budget Message, which is presented in this document after the adopted Budget Ordinance, has not been changed since it was presented to the County Council on October 17 with my proposed Budget. As part of its budget review and approval process, the County Council initiated several budget adjustments, which are listed and explained on the following pages. All sections of this budget document, with the exception of the Budget Message, have been modified to reflect these changes.

I. General Fund:

General Fund Revenues

Sales Taxes	+ \$316,500
Use of Fund Balance	+ 700,000
2003 Carryover funds	+ 55,000
	<u>+ \$1,071,500</u>

General Fund Expenditures

Economic Development	+ 45,000	Carryover to complete the Job Market Study
	+ 300,000	Implementation of the Job Market Study
Health Services	- 81,000	Reflecting a reduced allocation for personnel costs
Corrections	- 63,000	Deletion of one pretrial services screener
Sheriff	+ 160,500	3 new patrol deputies (July 1)
	+ 50,000	overtime allocation for east county patrol

Miscellaneous Current Expense:

Tacoma Urban League	+ 40,000
African American Museum	+ 40,000
Festival Federation	+ 20,000
Reservoir Trail	+ 200,000
SR-7 Improvements	+ 100,000
Gig Harbor H.S. Field Lights	+ 100,000
Roy Comm Center Improvements	+ 45,000
Lindquist Dental Clinic (Bates)	+ 10,000
Lakewood – Washington Park	+ 15,000
Lakewood – Springbrook Park	+ 15,000
Lakewood – Oakbrook Park	+ 15,000
Alliance Against Domestic Violence	+ 39,500
Domestic Violence Commission	- 30,500
Friends of Lake Tapps	+ 10,000
Federal Legislative Effort	+ 30,000
Coop Extension (BMX Track)	+ 5,000

Professional Services	-	24,000
Broadway Center	+	12,000
Arts and Cultural Services	+	14,000
Debt Service	-	6,000
Retiree Excess Comp.	-	6,000
Fife Senior Center	+	6,000
Wauna Post Office	+	<u>10,000</u>
Sub Total		\$ 660,000

General Fund Total + \$1,071,500

II. Other Funds:

Road Fund	+\$100,000	Use of fund balance for RTID planning and analysis
Surface Water Management Fund	+ 100,000	Use of fund balance for Council analysis of the SWM program
	+ 70,000	Use of fund balance for an additional position in the Health Department for the shellfish watershed program
	- <u>100,000</u>	Reduced allocation to the Conservation District
Net	+ \$ 70,000	
Airport Fund	+ \$22,000	Use of fund balance for support of the Thun Field Advisory Committee
Health Department	+ 70,000	Additional position for shellfish watershed program
	- <u>18,200</u>	Reduction in personnel costs
Net	+ \$51,800	

Fee Increases – The fee increase ordinances submitted to Council were all approved, with a few minor amendments.

FILE NO. 17

PROPOSAL NO. 2003-107s

Sponsored by: Pierce County Council

Requested by: County Executive/Budget and Finance Department

ORDINANCE NO. 2003-107s

AN ORDINANCE OF THE PIERCE COUNTY COUNCIL ADOPTING THE ANNUAL BUDGET OF PIERCE COUNTY FOR THE FISCAL YEAR 2004.

WHEREAS, The County Executive has submitted a balanced budget to the Council for Fiscal Year 2004; and

WHEREAS, The County Council has conducted various public hearings in a Committee format, and before the full Council, pursuant to the Charter; NOW THEREFORE,

BE IT ORDAINED by the Council of Pierce County:

Section 1.The following is hereby adopted as the appropriations for Fiscal Year 2004, which includes the creation of the Parks Real Estate Excise Tax (REET) Bond Fund and the Chambers Creek Golf Course Fund, and authorizes a loan of up \$1,326,600 from the Sewer Utility Restricted Reserve Fund to the Chambers Creek Golf Course Fund at a 3.5 percent interest rate to be repaid by the end of Fiscal Year 2006.

General Fund Revenues:

Taxes..... \$ 139,630,910

PROVIDED, By July 1, 2004 the Director of Budget and Finance shall determine whether the increase in sales tax revenues are on target to meet the \$316,500 revenue adjustment adopted by the Council; PROVIDED FURTHER, If the increase in sales tax revenue is determined to be on target to meet this projection, the expenditures authorized in Committee of the Whole Amendment No. 21 and No. 8 are approved.

Licenses and Permits	6,586,840
Intergovernmental Revenue.....	37,018,300
Charges for Services	30,231,410
Court Fines.....	5,549,810
Miscellaneous Revenue	10,584,410
Use of Fund Balance	2,937,000
Carry Over	55,000
Total General Fund	<u>\$232,593,680</u>

General Fund Expenditures:

Cooperative Extension	607,050
Assessor-Treasurer	9,621,630
Prosecuting Attorney	20,727,780
Auditor	6,129,930
Emergency Management	2,539,150
Clerk of the Superior Court	4,043,060
County Council	3,222,140
County Executive	969,010
Communications	595,130
Budget and Finance	4,351,970
District Court	6,956,930
Juvenile	16,131,010
Economic Development	1,154,070

PROVIDED, Up to \$45,000 of this appropriation shall be expended towards completing the "Jobs Creation Study" as authorized in the 2003 Budget.

PROVIDED, Consistent with Committee of the Whole Amendment No. 21, the Executive shall, no later than February 14, 2004, present to the Council his recommendations regarding the Jobs Creation Study and how best to address and/or implement the following recommendations as contained in the Draft Report: (1) Shifting the current Economic Development function from the Community Services Department to the new Office of Economic Development with all staff and functions of the current agency transferred to the new Office of Economic Development. The new Office of Economic Development shall be administered similarly as the Office of Government Relations; (2) physically relocating the Office of Economic Development from South Tacoma Way to a Downtown location which is more appropriate for business recruitment and retention meetings and supporting activities; and (3) increasing the scale and reach of the current function by adding two new FTE's.

Health Services	2,995,310
District Court Probation	2,526,020
New Jail Reserve	2,000,000
Corrections	37,334,970
Sheriff	53,612,860

PROVIDED, \$50,000 of this appropriation shall be utilized by the Sheriff's Department for extended overtime in east Pierce County.

PROVIDED, Consistent with Committee of the Whole Amendment No. 8, the Sheriff shall hire three new deputies to the Mountain Detachment.

Ordinance No. 2003-107s, continued

Medical Examiner	1,716,210
State Auditor	194,410
Superior Court	10,873,660
Miscellaneous Current Expense.....	5,069,280

PROVIDED, up to \$10,000 of this appropriation shall be used to fund reconstruction material purchases at the Wauna Post Office.

PROVIDED, unspent funds within this appropriation dedicated locating a public safety building in the Parkland/Spanaway area shall not lapse and shall carryover in to fiscal year 2004.

PROVIDED, \$650,000 of this appropriation shall be expended as follows:

<u>PROGRAM</u>	<u>2004 BUDGET</u>
Tacoma Urban League	\$ 40,000
African American Museum	\$ 40,000
Festival Federation	\$ 20,000
Reservoir Trail	\$ 200,000
SR-7 Improvements	\$ 100,000
Gig Harbor High School Field Lighting	\$ 100,000
City of Roy - Community Center Improvement	\$ 45,000
Lindquist Dental Clinic for.....	\$ 10,000
Children located at Bates Technical College (Dental Equipment)	
City of Lakewood	
Washington Park (walking path improvements).....	\$ 15,000
Springbrook Park (security lighting).....	\$ 15,000
Oakbrook Park (capital improvements).....	\$ 15,000
Alliance Against Domestic Violence	\$ 2,500
Domestic Violence Commission.....	\$ 2,500
Friends of Lake Tapps	\$ 10,000
Federal Legislative Efforts.....	\$ 30,000
WSU Cooperative Extension (BMX Track)	\$ 5,000

PROVIDED, The provisos added to the 2003 Miscellaneous Current Expense Budget by Ordinance 2003-72s, to the extent not expended, shall be carried forward into fiscal year 2004; PROVIDED FURTHER, the \$20,000 appropriation to the Gig Harbor Boys and Girls Club is removed and this \$20,000 is appropriated to the Gig Harbor High School for funding outdoor field lights; PROVIDED FURTHER, The \$50,000 appropriation to the Community Services Department to fund School's Out to Lights Out Programs in east Pierce County is removed and this \$50,000 is appropriated to the following entities who provide School's Out to Lights Out Programs in east Pierce County:

Ordinance No. 2003-107s, continued

(1) Prairie Ridge Drop-In Center (\$20,000); (2) Community In Schools of Orting (\$5,000); (3) Opportunity Center of Orting (\$2,500); (4) Summer-Bonney Lake Parks and Recreation Department (\$5,000); (5) Summer School District No. 1 (\$4,000); (6) City of Buckley Youth Activity Center (\$5,000); and (7) City of Auburn-Sunset Park (\$7,500); (8) County Admin (\$1,000).

PROVIDED, By April 1, 2004 the Humane Society for Tacoma-Pierce County shall meet with the Executive and Council to: (1) develop and refine the contractual service standards; and (2) create more meaningful and manageable performance measures and standards.

PROVIDED, Exhibit "A" is hereby amended as follows:

<u>PROGRAM</u>	<u>2004 BUDGET</u>
Alliance Against Domestic Violence	37,000
Domestic Violence Commission.....	59,250
Professional Services	4,000
Retire Excess Com	344,000
Fife Senior Center	6,000
Broadway Center	25,130
Arts & Cultural Services	197,240
Debt Service	94,000
 Bond Debt Service	 1,377,290
 Prevention Services & Programs.....	 1,237,500
 Special Projects	 2,354,640

PROVIDED, The Office of Government Relations shall coordinate a long-term legislative strategy, working with other jurisdictions and associations, that best demonstrates the fiscal impacts of State policy decisions on local government criminal justice costs; PROVIDED FURTHER, once created, the strategy shall be identified, promoted, and included in Pierce County's legislative package.

Parks and Recreation Services..... 6,249,660

PROVIDED, The Department shall facilitate the formation of Lake Tapps Boat Management Advisory Committee and shall meet with and report to the Council in June 2004 on its progress.

PROVIDED, The Department shall provide ongoing maintenance and operations for the passive recreation portions of Homestead Park in Gig Harbor; PROVIDED FURTHER, such maintenance and operations shall discontinue when an operation levy or a Metropolitan Park District is approved by the voters of the current Peninsula Parks District.

Ordinance No. 2003-107s, continued

Planning and Land Services..... 12,663,250

PROVIDED, Planning and Land Services shall expend \$20,000 of this appropriation towards wetlands mapping in the Midland area of Pierce County.

Assigned Counsel 10,553,910
Personnel 2,785,850
Building Improvement Projects..... 2,000,000

PROVIDED, Facilities Management shall make no land use or property related decisions regarding the recently acquired property in Bonney Lake until performing a joint use analysis on the property.

Total General Fund 232,593,680

Other Fund Expenditures & Revenues:

Veterans' Relief Fund 510,530
Law Enforcement Fund 188,580
Geographic Information System Fund..... 2,705,540
Auditor's Maintenance and Operations 921,270
Criminal Justice Fund 573,590
Conservation Futures Fund..... 3,012,180
Arts & Cultural Services 289,420
Dispute Resolution Center Fund..... 146,000
Pierce County Fair 182,040
Puget Sound Behavioral Health..... 12,001,570

PROVIDED, Puget Sound Behavioral Health (PSBH) shall submit monthly report cards to the Council and Performance Audit Committee as recommended in the PSHB performance audit.

Human Services Fund 88,254,500
Rainier Communication Commission..... 970,150
Marine Services Fund 210,000
Detention Center Commissary..... 715,510
Federal Forest Services Fund..... 162,890
Drug Investigations Fund 211,690
REET - River Improvement 1,779,800
911 System..... 5,024,910
Housing Repair Program 9,152,930
Community Development Fund..... 5,541,560
Low Income Housing Fee Fund..... 3,500,000
Emergency Management Grants Fund..... 1,055,230
Endangered Species Act 202,170

Ordinance No. 2003-107s, continued

Parks Impact Fee Fund	1,232,440
Parks Sales Tax Fund	4,231,160
Peninsula Recreation Program.....	344,220
Second REET Fund	14,116,310
County Road Fund	66,830,370

PROVIDED, Up to \$10,000 shall be appropriated for Community entrance signs in the South Hill area as generally described in Objective 36.1.2 of Ordinance No. 2003-10s.

PROVIDED, Up to \$100,000 of this appropriation may be utilized as needed to provide consulting, strategic planning, technical support and other consulting services to assist the Pierce County members on the Regional Transportation Investment District (RTID) regarding the impacts of RTID decisions on Pierce County.

PROVIDED, It is the intent of the County Council to provide further County support toward the SR-7 Improvement Project beyond those funds already identified in the 2004 Budget.

PROVIDED FURTHER, Additional financial contributions by Pierce County should be evaluated for their ongoing maintenance and operational costs.

Paths and Trails	3,262,180
Surface Water Management Fund.....	18,642,220

The Surface Water Management Fund, is hereby amended to reflect an increase in the use of beginning fund balance by \$688,000 and a decrease of \$688,000 in charges for services to balance the corresponding loss in revenue as a result of the Council's adoption of Ordinance No. 2002-133.

PROVIDED, \$150,000 of this appropriation shall be provided to the Tacoma-Pierce County Health Department to fund two Environmental Health Specialist positions for the Shellfish Watershed Program.

PROVIDED, Up to \$100,000 of this appropriation shall be utilized by the County Council and shall be used solely by the Council to engage outside consultants and technical support to independently analyze the Surface Water Management Program.

PROVIDED, The Council intends to consider restructuring the service charges so that they are consistent county-wide. The restructured service charges should be sufficient to pay for operations and maintenance, occasional capital improvements, and to fulfill federally-mandated water quality requirements.

PROVIDED FURTHER,

1. By February 1, 2004, the Department shall present a report to the County Council that contains the following elements:

- (a) The status of all projects and programs funded with SWM funds. Explain in detail any projects or programs that are not complete or that were discontinued after the adoption date of the 1997 Rate Study;
- (b) A list of all projects and programs the Department proposes to fund with SWM fees through 2009, including recommendations to reduce existing SWM fees after completion of these projects;
- (c) A showing, by year from 1998 - 2003, anticipated SMW revenues versus actual receipts for each basin;
- (d) A six-year budget plan that shows:
 - (i) The original estimated revenue from SWM fees;
 - (ii) The balance remaining from the Study List;
 - (iii) Recommendations for the next phase of projects and programs through the end of Fiscal Year 2009. These recommendations shall include a plan to reduce existing SWM fees after completion of the next phase of projects or not later than December 31, 2009. Moreover, the recommendation shall include an examination and presentation of alternatives in the following areas: Capping the current fees and establishing a County-wide fee (rate scenarios); using such a fee, and establishing a fee only in an amount sufficient to fund the maintenance and operation of facilities and occasional capital projects; and how federally or state qualified water quality projects could be funded.

2. Beginning on February 1, 2004, the Department shall report every two months in Fiscal Year 2004 to the Council on the status of projects and programs funded with SWM fees and the status of all Water Program 2004 Budgets.

3. The Pierce County Executive is requested to forward his recommendations to the Council for filling positions on the Storm Drainage and Surface Water Management Advisory Board (PCC Chapter 11.03) no later than February 14, 2004.

Community Action	5,887,250
Tourism, Promotion, and Facilities	544,000
Employee Assistance Program Fund	58,000
Bond Debt Service	5,430,640
REET - Capital Improvement	5,755,460

Ordinance No. 2003-107s, continued

1% For Arts Construction	326,000
Human Services Construction Fund.....	1,001,400
Permanent Jail Construction.....	4,453,500
Park Sales Tax Bond Fund	13,491,680

PROVIDED, The Parks and Recreation Services Department shall, in consultation with Budget and Finance, by March 1, 2004, submit to the County Council the appropriate ordinance(s) to bond Park Sales Tax revenues in an amount necessary to construct the following projects:

Rogers-Zeiger Sports Complex (up to \$7.2 M);
Foothills Trail (up to \$4.7M).

Parks Construction Fund	4,615,730
Parks REET Bond Fund	3,415,000
Public Works Construction Fund.....	38,266,000
Sewer Utility Fund	44,658,080

PROVIDED, \$77,000 of this appropriation shall be used by Utility to fund a full-time engineer dedicated to reviewing sewer applications.

Sewer Facilities Restricted Reserve	6,245,830
Sewer Utility Construction.....	18,145,000
Sewer Revenue Bonds	4,981,180
Chambers Creek Golf Course.....	1,326,600

PROVIDED, There shall be no expenditures beyond the sum of \$100,000 from this Fund until such time as Executive staff meets with and reports to the Council regarding the long- and short-term funding strategy for the project and the Council adopts a resolution authorizing the Project to move forward and authorizes further expenditures from the Fund to occur.

Golf Courses	1,077,020
Airport Fund	585,610

PROVIDED, \$22,000 of this appropriation shall be utilized by the Department to staff and provide support to the Thun Field Advisory Commission (TFAC).

Solid Waste Management Fund.....	4,902,140
Pierce County Ferry Services.....	7,211,370
Water Utility Fund	162,830
Equipment Rental and Revolving.....	10,240,150
Information Services Fund.....	15,056,790
Facilities Management Fund.....	9,918,760
Radio Communications Fund.....	1,822,680
Fleet Rental	3,724,720

Ordinance No. 2003-107s, continued

General Services	2,821,480
Self Insurance Fund	8,221,350
Workers' Compensation	2,785,060
Total Other County Funds	<u>473,102,270</u>
TOTAL COUNTY FUNDS	\$705,695,950
Tacoma-Pierce County Health Department	<u>34,033,255</u>

PROVIDED, The Tacoma-Pierce County Health Department's budget, Exhibit "A", is amended to reflect a use of beginning fund balance of 2,900,584, an increase of \$62,800 from the original proposal submitted by the Executive and the Council's intent to fund a 2% rather than 3% cost of living adjustment.

PROVIDED, That the Tacoma-Pierce County Health Department shall meet with and report quarterly to the Council. The Department's report shall include, but not be limited to, the use of the Department's Fund Balance all grants, contributions, operating and equity transfers, insurance reimbursements, and the relationship between budgeted versus actual revenues and expenses to date within each program.

PROVIDED, \$150,000 of the appropriation shall be used to fund two Environmental Health Specialist positions for the Shellfish Watershed Program.

TOTAL ALL FUNDS \$739,729,205

Section 2. PROVIDED, It is the intent of the County Council to fully fund and construct, by the end of FY 2009, utilizing bonding or interfund loans against the Second REET - Roads funds, the following projects:

- SR-704 (Cross Base Highway) - Purchase of Roy Mitigation Property;
- 176th Street East from SR-7 to SR-161;
- 94th Avenue East from 136th Street to Puyallup City Limit;
- Canyon Road East North Extension from Pioneer Way to 70th Avenue East;
- Canyon Road East from 176th Street to 160th Street East.

PROVIDED FURTHER, The Ad Hoc Transportation Real Estate Excise Tax Allocation Advisory Committee (TRAAC) shall, during their 2004 review, develop a detailed financing plan and a construction schedule to fully utilize the Second REET - Roads funds necessary to fully construct the above mentioned projects by the end of FY 2009, and forward the recommended plan and schedule to the County Council by May 1, 2004.

Section 3. As amended by this Ordinance, the 2004 Pierce County budget document is attached hereto as Exhibit "A" and incorporated herein by reference.

Section 4. The County Council and County Executive shall attempt to identify funding to fund an examination, compilation, and analysis of information regarding the costs Pierce County incurs as a result of State policy and administrative decisions such as the recent increase in Washington State Patrol enforcement actions and the release of Western State patients.

Section 5. The total amount stated for each General Fund Department and for each of the Other Funds shall not be exceeded during 2004 without amendment to this Ordinance. The Executive is hereby authorized to transfer line-item appropriations within each General Fund Department, and within each Other Fund total during the budget year pursuant to the Executive's administrative powers. The compensation to be paid said employees shall be as set forth in the pay and classification plan.

Section 6. All future Grants, Contributions, Operating and Equity Transfers, Insurance Reimbursements, Specific Service/ Sales Revenue Contracts, and Election Cost reimbursements made to, or acquired by various departments (and which require no matching funds beyond the current budget), may be added to that department's budget to be expended for the appropriate specified function. At the end of each quarter, the County Executive shall meet with and submit a report to the County Council describing each new unbudgeted grant received during that quarter. That report should indicate the purpose of the grant, the amount of the grant, the amount of local match required (if any), and the time period of the grant.

Section 7. Pursuant to Section 6.30 of the Pierce County Charter, the Executive is hereby required to submit to the Council, on a quarterly basis, subsidiary ledgers for all the General Fund departments and each of the Other Funds listed in the 2004 Budget showing the relation between the budgeted revenue and expenses and actual revenue and expenses to date in each fund or department.

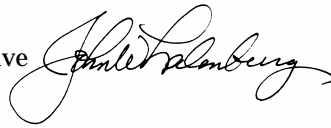
Section 8. All Program Expenditures contained in Exhibit "A" shall be funded in the amount shown. Provided, the Executive is authorized to transfer Program Expenditure appropriations during the 2004 fiscal year. The Executive's Office shall provide a quarterly report to the County Council, which presents both the 2004 Program Budgets, and the actual year-to-date expenses. Council may, by Resolution, request more frequent reports, or may request additional program expense information as it deems appropriate.

Section 9. The Council recognizes that any amendments to this Ordinance or to Exhibit "A" will require that other portions of Exhibit "A" be modified. To this extent, the Executive is hereby authorized to change Exhibit "A" prior to final printing so that the Council's amendments are accurately reflected throughout the 2004 final budget document.

October 17, 2003

TO: Pierce County Council

FROM: John Ladenburg, County Executive



SUBJECT: 2004 Pierce County Budget

Submitted herein is the proposed Pierce County Budget for fiscal 2004. This budget reflects the revenue limitations confronting county government, the impact of a sluggish economy, and the need to make priority decisions in order to preserve our most vital services. Even with our fiscal limitations, the County remains committed to effectively addressing the challenges and opportunities before us. These include public safety staffing, the operation of the New Jail, justice services workload, growth management, effective land use planning and regulation, new habitat preservation responsibilities, our transportation network, flooding concerns, and intergovernmental cooperation. It is our responsibility to exhibit leadership in addressing these issues, and to provide cost-effective public services to our citizens.

Budget Summary Highlights

The proposed 2004 Pierce County Budget totals \$738,413,905, which is a decrease of \$29.4 million (3.8%) from 2003. Most of the decrease is due to reduced construction expenses.

This is the third budget year which has been impacted by the crippling effects of I-747 (1% property tax growth limitation). This has caused great difficulty for local entities in the State of Washington. This initiative, the weak state of the economy, and the cutbacks in State funding resulting from their budget problems have all combined to create a severe budget crunch for local governments. The resultant revenue limitations have made it impossible for us to meet all the budget requests from our department directors, or to fully meet our service obligations to our citizens.

With these fiscal issues in mind, the State legislature passed legislation which allowed local voters to increase the sales tax to protect and enhance local government services. Our County Council has placed this issue before the voters on the November ballot, and has pledged to allocate these additional revenues to public safety and criminal justice services, including the hiring of at least 100 new County and City law enforcement officers. This is the most significant potential enhancement to law enforcement in at least the last two decades, and its passage will have a major positive impact upon County public safety services.

Since the vote on this issue will not be taken until early November, this proposed 2004 budget does **not** reflect these potential revenues and associated service enhancements. If this ballot issue is approved, the 2004 budget will be amended to formally approve the staffing and services referenced in the enabling ordinance already passed by the Council.

Without these additional revenues, we have simply allocated available resources to enhance a few priority public safety and justice service programs as funds permitted, while maintaining most existing programs and services. For the General Fund, this can best be described as a status quo budget.

In terms of overall approach to the budget, the following assumptions, considerations, and priorities guided our deliberations and recommendations:

First, existing challenges involving **criminal activity, domestic violence, meth labs and other drug activity will continue to place great pressure on public safety and justice services.** We have one of the lowest ratios of law enforcement officers to population, and conversely one of the highest crime rates in the state.

Second, as previously stated, this must be considered a **“status quo” General Fund budget.** In these times of financial stress, we consider our ability to substantially maintain the status quo to be a major accomplishment.

Third, we will continue to emphasize **pro-active prevention programs.** This budget funds many of the alternatives to incarceration programs recommended by the Criminal Justice Task Force, including county funding for Breaking the Cycle, Drug Court and Juvenile Alternative to Detention programs. These programs decrease criminal activity and reduce future jail costs.

Fourth, we will continue to fund balanced **Land Use Regulatory** programs, solid **Road Maintenance** services; and a **substantially enhanced Parks and Recreation program** utilizing recently approved parks sales tax, real estate excise tax, and parks impact fees.

Performance Measures

For the 2004 budget we are continuing the department Performance Measures initiative, and have placed increased emphasis on the specificity of each Measure. These Measures focus on the most vital aspects of each department operation.

Historically Underutilized Business Program

The County Council recently approved the Historically Underutilized Business ordinance (H.U.B.). The goal of this program is to encourage County contracting with those businesses so designated in order to broaden the scope of economic development in Pierce County. We are now in the early program design and initial implementation stages. Our intention is to make it fully operational over the next 15 months, with existing departmental resources. Hence there is no specific county budget for this program.

Our goal is to achieve a 2004 county-wide contract and purchasing participation rate in the 10%-12% range.

I. GENERAL FUND

As the name implies, this is the fund that receives undesignated revenues which can be budgeted for any appropriate County purpose. This fund finances the majority of the traditional services associated with County government. Most of the budget deliberations center around this fund since it provides the most flexibility in terms of resource allocation alternatives.

A. General Fund Revenues

A more detailed listing of General Fund Revenues is presented in the General Overview section of this budget document. A summary of the 2004 revenues, with a comparison to the current year, is shown in the table below.

Our revenue projections are based largely upon the following assumptions:

- a) The local economy will grow at a relatively slow pace in 2004. The level of economic growth will

GENERAL FUND REVENUE SUMMARY				
	2004 Budget	2003 Budget	Absolute Change	Percent Change
Property Taxes	\$ 93,199,360	\$ 89,424,660	\$ 3,774,700	4.2 %
Sales Taxes	43,940,000	41,290,000	2,650,000	6.4
Other Taxes	2,175,050	2,155,540	19,510	0.9
Licenses and Permits	6,586,840	5,435,030	1,151,810	21.2
Intergovernmental Revenue	37,018,300	38,115,987	(1,097,687)	(2.9)
Charges for Services	30,231,410	29,643,965	587,445	2.0
Fines and Forfeitures	5,549,810	4,954,680	595,130	12.0
Interest Revenue	7,042,000	7,543,430	(501,430)	(6.6)
Other Miscellaneous Revenue	3,542,410	3,426,227	116,183	3.4
Subtotal Revenues	\$229,285,180	\$221,989,519	\$ 7,295,661	3.3 %
Fund Balance	2,237,000	5,213,000	(2,976,000)	(57.1)
Total Available Resources	\$231,522,180	\$227,202,519	\$ 4,319,661	1.9 %

be sharply less than that experienced in the 1995-2001 fiscal years.

- b) Inflation will be approximately 2-3% next year, thus giving a modest boost to Sales Taxes, Intergovernmental Revenues, and Charges for Services.
- c) Interest rates will stay at their current very low levels, which will result in less interest revenues than were earned in previous periods.
- d) We will continue to receive city contract revenues for several major services (principally police services, jail, roads maintenance, and court services).
- e) Revenues from the proposed new .3% sales tax on the ballot in November are **not** included in this budget.
- f) Modest fee increases are proposed for the Sheriff, Auditor's Office, and Parks and Recreation departments.

Based upon the above assumptions and an in-depth review of our revenue patterns, we are projecting a growth in General Fund revenues of 3.3% in 2004. However, the 2003 budget also included an allocation of \$5,213,000 in Prior Fund Balance. Since the recommended use of Prior Fund Balance in 2004 is only \$2,237,000, the resulting increase in **available resources** to finance next year's budget is only 1.9%.

Following is a detailed discussion regarding the changes in each major category of revenue:

Property Taxes are projected to increase by 4.2% in 2004. This increase is based upon two factors. The first is the 1% available under I-747. The second, and most important factor, is the tax growth related to new construction and improvements.

Sales Taxes are projected to increase by 6.4% in 2004. This is based upon the actual revenue patterns for 2003 Y-T-D, coupled with projections for moderate growth in the next 12-16 months.

Other Taxes (gambling, leasehold excise, etc.) reflect no appreciable growth.

Licenses and Permits are projected to grow by 21% in 2004, which assumes that the current high level of construction activity will continue into next year.

Intergovernmental Revenues – shows a bottom-line decrease of 2.9% in 2004. This is mostly due to jail population levels which are well below earlier projections, and hence jail billings are down.

Charges for Service Revenues are estimated to be above the 2004 budget by 2.0%. This bottom-line

change is composed of many dramatic changes in specific revenue sources, the most significant being:

- 1) Recording Fees are currently running well above 2003 budgeted levels, and we are projecting that a high level of activity will continue in the new year (although at somewhat reduced numbers due to a drop in mortgage refinancings).
- 2) Election expense reimbursements will be significantly below 2003 because the state is not required to reimburse us for their election costs in even numbered years.

Fines and Forfeits are projected to be above the 2003 Budget by 12%, based mostly upon the actual revenue pattern in the current year.

Interest Revenues are projected to show a decline from the 2003 budgeted amounts, due to the decrease in interest rates over the last 12 to 18 months.

Miscellaneous Revenues will increase by 3.4% in 2004, which largely reflects the 2003 items adjusted for inflation.

Prior Fund Balance use was budgeted at \$5,213,000 in 2003 for one-time building purchase or remodel expenses. For next year we are recommending that we allocate only \$2,237,000, which will be used for Building Improvement expenses (\$2,000,000) and other one-time expenses in the 2004 budget (\$237,000).

Percent Change in General Fund Revenues

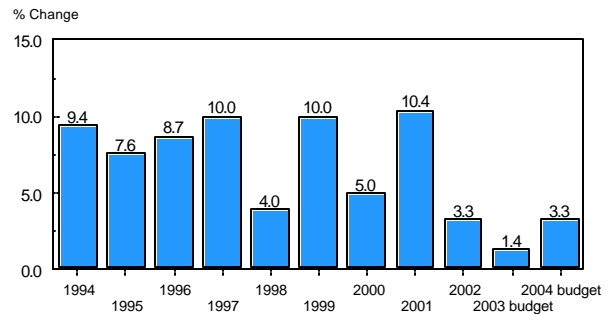


Figure 1

Comparative revenue increase figures for the last decade are shown in Figure 1. The projected increase of 3.3% in 2004 is the second lowest in the last eleven years, due to four factors:

- a) Initiative 747 continues to erode our real financial base. The negative impact grows exponentially each year (see next page).
- b) In several of the preceding years there was a major new revenue source (e.g., state criminal justice funds, criminal justice sales tax, jail/juvenile sales tax, and the law levy transfer

to the General Fund). No major new revenue source is included in the 2004 budget.

- c) During most years there are mid-year events which give rise to revenue increases, but which almost always are accompanied by at least a corresponding increase in related expenses (e.g., new specific grants, storm reimbursements, special elections). This could well happen again as fiscal 2004 unfolds; thus pushing the final percent increase above the originally budgeted 3.3%.
- d) The economy is much less robust than in earlier years, and the climb out of the state recession is projected to be gradual.

As you can gather from our earlier comments, I-747 casts a major shadow over our finances. This initiative limits the growth in taxes from existing property to only 1% per year (in place of the previously available 6%). Such a limitation, which is well below the level of inflation, imposes severe fiscal constraints on the County. The inevitable result is that service cutbacks and staff reductions become unavoidable, and will grow in future years. The annual revenue loss for the first three years affected by this initiative is shown below. The exact revenue loss over the next several years is difficult to precisely determine (depends upon inflationary increases in existing property values). The estimates provided below are simply reflections of the actual results for 2002-2004.

General Fund	
2002	\$ 3,482,800
2003	7,325,500
2004	10,903,900
2005	14,503,900 est.
2006	18,203,900 est.
Total	\$ 54,420,000

These are very significant revenue losses, and are geometric in impact. For fiscal 2004, the revenue loss

in just that year is equal to 4.7% of our 2004 General Fund budget. By 2006, it will grow to over 7%. The cumulative 5 year loss is equal to the construction costs of the New Jail. The Road fund levy is also affected by I-747, although to a lesser extent (2004 loss estimated at \$2,036,000).

This initiative is causing an inexorable erosion in our financial foundation and will lead to significant long term reductions in public safety, the justice system, road maintenance, health services, and other vital county programs. That is one of the major reasons for the .3% sales tax ballot measure.

B. General Fund Expenditures

The 3.3% revenue growth discussed in the preceding section will be sufficient to continue most programs and staff at the 2003 level, with a few additions in vital areas as discussed below.

The tables at the bottom of this page and on the next page summarize the 2004 General Fund Expenditure Budget, and compare it with the 2003 budget. The first table presents the General Fund according to **functional** category, while the second table simply lists each **departmental** budget.

As indicated by the functions table, the emphasis in 2004 continues to be Public Safety and Legal/Judicial services. The General Fund expenditures increase is \$4.3 million. Approximately \$3.5 million of that increase is allocated to these two major functions. **That equals 81% of next year's budget increase.** In total, 75% of the entire General Fund budget is now allocated to these priority services. This percentage continues to grow by approximately 1% of the total each year, and is higher than other large Washington counties. This emphasis on public safety and justice services continues the pattern established over the last decade. Approximately 90% of all the staff added in the General Fund in the last decade have been in the Public Safety and Justice Services department.

GENERAL FUND EXPENDITURES BY FUNCTION

	2004 Budget	2003 Budget	Absolute Change	Percent Change
General Government	\$ 31,558,550	\$ 31,066,000	\$ 492,550	1.6 %
Public Safety	115,692,860	114,739,659	953,201	0.8
Physical Environment	1,845,090	1,741,460	103,630	6.0
Legal & Judicial	57,914,210	55,364,132	2,550,078	4.6
Economic Environment	13,839,060	13,759,168	79,892	0.6
Mental/Physical Health	3,525,090	3,535,100	(10,010)	(0.3)
Cultural & Recreation	7,147,320	6,997,000	150,320	2.1
Total General Fund	\$ 231,522,180	\$ 227,202,519	\$ 4,319,661	1.9 %

All figures based on the Executive's original proposed budget

GENERAL FUND EXPENDITURES BY DEPARTMENT

	2004 Budget	2003 Budget	Absolute Change	Percent Change
Assessor/Treasurer	\$ 9,621,630	\$ 10,126,020	\$ (504,390)	(5.0) %
Assigned Counsel	10,553,910	10,100,430	453,480	4.5
Auditor	6,129,930	5,856,250	273,680	4.7
Bond Debt Service	1,377,290	2,070,640	(693,350)	(33.5)
Budget & Finance	4,351,970	4,278,750	73,220	1.7
Building Improvement Projects	2,000,000	2,000,000	—	—
Clerk	4,043,060	3,751,230	291,830	7.8
Communications	595,130	553,090	42,040	7.6
Cooperative Extension	607,050	578,610	28,440	4.9
Corrections	37,397,970	36,094,000	1,303,970	3.6
County Council	3,222,140	3,143,920	78,220	2.5
County Executive	969,010	948,000	21,010	2.2
District Court	6,956,930	6,602,550	354,380	5.4
District Court Probation	2,526,020	2,462,720	63,300	2.6
Economic Development	809,070	730,840	78,230	10.7
Emergency Management	2,539,150	2,668,710	(129,560)	(4.9)
Health Services	3,076,310	3,080,340	(4,030)	(0.1)
Juvenile	16,131,010	15,719,716	411,294	2.6
Medical Examiner	1,716,210	1,726,330	(10,120)	(0.6)
Miscellaneous Current Expense	4,409,280	6,825,300	(2,416,020)	(35.4)
New Jail Reserve	2,000,000	2,000,000	—	—
Parks and Recreation Services	6,249,660	6,133,720	115,940	1.9
Personnel	2,785,850	2,475,420	310,430	12.5
Planning and Land Services	12,663,250	12,548,588	114,662	0.9
Prevention Services & Programs	1,237,500	1,200,000	37,500	3.1
Prosecuting Attorney	20,727,780	19,810,715	917,065	4.6
Sheriff	53,402,360	51,065,580	2,336,780	4.6
Special Projects	2,354,640	1,845,630	509,010	27.6
State Auditor	194,410	160,600	33,810	21.1
Superior Court	10,873,660	10,644,820	228,840	2.1
Total General Fund	\$ 231,522,180	\$ 227,202,519	\$ 4,319,661	1.9 %

As a cautionary note, the percentage change in a particular budget may not always be a valid indication of the extent to which a department's real inflation adjusted resources are growing (or decreasing) from the prior year. This is often the case because:

- a) Many departments had grants or service contracts in 2003 which are not renewed in 2004, or vice versa.
- b) Several departments have other unique items in 2003 which are not present in 2004 (special election costs, capital equipment purchases, one time projects, etc.).

It is necessary to review each department's situation in some detail to determine what is happening in 2004. I would refer the reader to the "Budget Highlights" section in each departmental budget for a fuller explanation of any budgetary changes.

As shown in below Figure 2, the 1.9% budget increase for expenditures is considerably less than all previous years in the last decade.

Percent Change in General Fund Expenditures

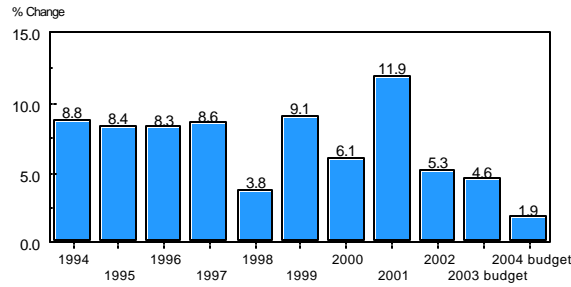


Figure 2

2004 SERVICE & PROGRAM CHANGES

As indicated earlier there are only a few major changes in the 2004 General Fund budget, and those are indicated below:

Sheriff

- 3 new school resource officer deputies, which are funded by grant monies, school allocations, and county monies
- County share of LESA funding for 8 “temporary positions”

Juvenile

- Funding for 2 probation officer positions (CASA and Diversion programs), which were previously budgeted from the Prevention Services monies
- Instituting a new Alternative to Detention Services program, with the corresponding closing of “C wing” at Remann Hall

Assigned Counsel

- Increased compensation levels for felony cases assigned to the outside attorney panel

Personnel

- Funding for a personnel specialist position formerly budgeted in the New Jail Transition account

District Court

- reflects the addition of 4 staff positions due to recent workload increases
- the Hosmer facility will be remodeled and reopened for Friday public service

The remaining General Fund departments not mentioned above experienced a largely status-quo budget.

C. Use of Prior Fund Balance

Figure 3 and Figure 4 present the actual financial results for the General Fund during the 1993-2002 period, and the budgeted amounts for 2003-2004. As indicated in Figure 3, the trend during the last decade has been largely positive. Both a strong economy and prudent fiscal policies have produced favorable financial results. However, the actual results for 2002, and the budgeted deficits for 2003 and 2004, reflect a changed fiscal environment. In fiscal 2003 we have budgeted a \$5.2 million deficit, most which is for one-time expenses. The proposed 2004 budget also reflects a deficit (\$2.2 million); again for one-time expenses.

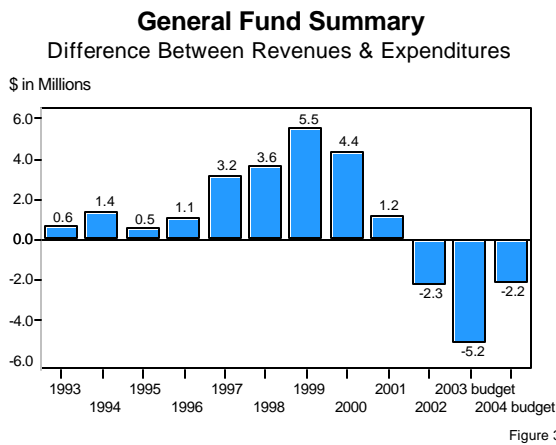


Figure 3

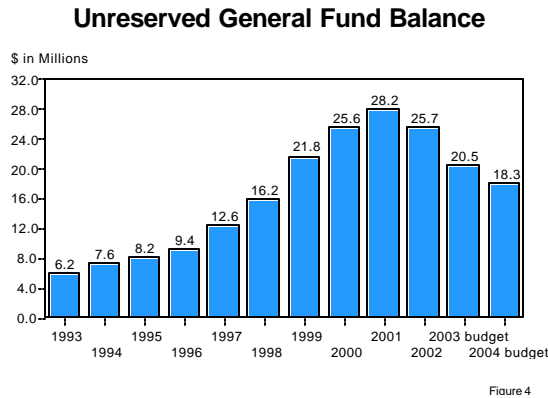


Figure 4

If the 2003 actual results match the budget, the General Fund balance will be approximately \$20.5 million at the end of 2003 (see Figure 4). It is the County's policy to maintain a fund balance for emergency and working capital purposes which is between 5% and 8% of the budget. We will still be slightly above that range at the end of fiscal 2003, and slightly below the top of the range at the end of 2004 (as shown in Figure 5).

Unreserved General Fund Balance as a Percent of the General Fund Budget

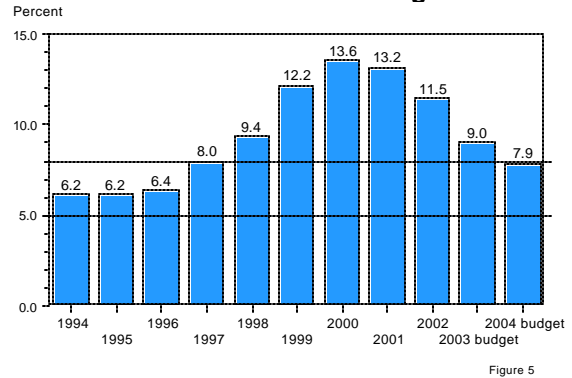


Figure 5

It should be noted that the preceding charts for 2003-2004 represent the budgeted figures. Our late summer projections have indicated that fiscal 2003 actual results will likely be more positive than budgeted. However, the economy remains weak, and our projections are still tentative.

D. Tax Rates and Assessed Valuations

The growth in assessed valuation from 2003 to 2004 was approximately \$2.9 billion (6.3%), which is in line with the average growth experienced in the last ten years. Approximately 63% of this growth is from new construction, with the remaining 37% due to revaluations of existing properties. Percent changes in Assessed Valuation totals for the preceding ten years are shown in Figure 6 below.

Percent Change in Assessed Valuation

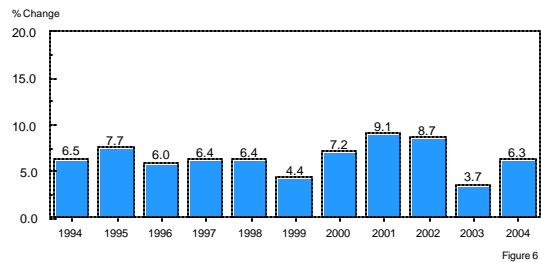


Figure 6

The 1% revenue growth limitation, coupled with a moderate growth in the valuation of existing property, will result in only slight tax rate changes, as shown in the following table.

General Tax Rates	2004	2003
A. General Levy (\$1.80 max.)		
General Fund	\$ 1.5503	\$ 1.5791
Veterans Relief	0.0099	0.0105
Social Services	0.0219	0.0223
Total General Levy	\$ 1.5821	\$ 1.6119
B. Road Levy (\$2.25 max.)		
	\$ 2.1565	\$ 2.1368

Please keep in mind that the County's General Fund share of the property tax is only 11% of the total. Most of the property taxes paid by our citizens are allocated to the State of Washington, cities, and local schools.

E. Prognosis for Fiscal 2005

In this uncertain time it is difficult to confidently project ahead to fiscal 2005. Based upon our best "crystal ball" judgments, this is what we see:

- the state and local economies are in for a period of moderate growth (at best) over the next 24 months.
- It is likely that fiscal 2005, without the approval of the .3% sales tax measure, will be worse than fiscal 2004 for the following reasons:
 - a) the impact of I-747 becomes progressively worse with each passing year
 - b) the massive State budget problems will likely result in more reductions in grants and allocations to local units of government
 - c) the impact of the New Jail (with the possible opening of an additional pod) will add to our Corrections Department expenses
 - d) salary increases will be above the 1% property tax limitation, and health benefit increases will be significantly above the level of general inflation.
 - e) early State pension projections reflect a dramatic increase for PERS and LEOFF rates, starting in mid 2005.

- The increase in **Community Action** is due to an anticipated new transportation services program.
- The 2004 budget for **Community Development** reflects a reduction in the federal CDBG allocation.
- The 2004 budget for the **Housing Repair Program** is 3.2% more than 2003 due to increases in the state COPES and HOME programs.
- The 2004 budget for the **Low Income Housing Fee Fund** reflects the anticipated carryover of the majority of the 2003 revenues for expenditure in early 2004 due to the timing of the first funding round (scheduled for October 2003).
- **Human Services** shows a slight increase in funding overall due to inflation, plus the addition of a new Mental Health Building cost center (transferred from P.S.B.H.).
- The **Puget Sound Behavioral Health** fund reflects an overall decrease due largely to downsizing, cost efficiency efforts and transferring the building cost center to Human Services.

Community & Human Services		
Fund	2004 Budget	2003 Budget
Community Action	\$ 5,887,250	\$ 5,769,304
Community Development	5,541,560	6,702,880
Housing Repair Program	9,152,930	8,870,840
Human Services	88,254,500	86,387,472
Puget Sound Behavioral Hlth	12,001,570	15,660,970
Low Income Housing Fund	3,500,000	1,630,000
Total	\$ 124,337,810	\$ 125,021,466

II. OTHER COUNTY FUNDS

A great many of the County's programs are financed from sources outside of the General Fund. In total, these funds have combined expenditures well in excess of the General Fund budget. However, the nature of the revenue sources mandate that **these monies can only be used for specific activities**. Hence, they are budgeted and accounted for in separate funds. Summary figures for each fund can be found in the Total Expenditures/Expenses table of the General Overview section.

A. Major Community & Human Services Funds

The County is a major provider of community and human services through programs funded primarily from state and federal grants. Due to the vagaries of the grant funding process, these budgets often vary significantly from year to year. The major 2004 changes are as follows:

It is our belief that the funding from state and federal sources is simply inadequate to finance the service levels which ought to be provided. We are working with state and federal agencies in an attempt to increase the funding levels, and it is possible that additional grant monies will be secured in 2004. However, even these potential new grants will probably be insufficient to cope with many of the human service needs in Pierce County.

Even though most of the funding for these human and community service programs comes from state and federal grants, the General Fund and other locally generated revenues still provide a sizeable contribution, as indicated in the following table. In addition, many of the General Fund dollars allocated to the Health Department will in turn be budgeted for social and human services.

AIDS Foundation.....	\$19,260
Alliance for Youth.....	20,000
Breast Cancer Awareness Center.....	21,890
Centro Latino.....	43,780
Community Action Grant Match.....	50,000
Day Care Referral Program.....	20,010
Domestic Violence Commission.....	92,250
D.U.I. Program.....	8,730
Emergency Food Network.....	12,260
Family Counseling Services.....	3,290
Involuntary Commitment Program.....	98,000
Mental Health Services in the Corrections operations	647,320
Pierce County Alliance – CRESTOS.....	7,880
Senior Centers.....	188,660
Sexual Assault – Allenmore	9,630
Social Service Programs (earmarked property taxes).....	1,083,630
Social Service (substance abuse program from liquor taxes).....	25,920
TACID.....	24,800
	<u>\$2,377,310</u>

B. Transportation Services

The county has major transportation responsibilities, and accounts for these responsibilities and service costs in five major funds:

County Roads – roadway and traffic maintenance services, and allocations for construction projects

Roads Construction Fund – new construction and major roadway repair projects

Ferry Services – operating and capital expenses related to Ferry services to the Islands

Airport – capital, operating and maintenance expenses at the Pierce County Airport

Roads Second REET – major specific capital projects.

The 2004 budgets, with comparisons to 2003, are show below:

Road Funds			
Fund	2004 Budget	2003 Budget	% Change
Roads Fund	\$66,730,370	\$59,328,570	12.5%
Road Construction Fund	38,266,000	51,845,000	(26.2)%
Ferry Services Fund	7,211,370	2,615,250	175.7%
Airport Fund	563,610	583,880	(3.5)%
Roads Second REET	11,044,060	7,501,300	47.2%

The major items of note for next year are:

Roads Fund – new staff positions (6 ½), and significant allocations for roadway construction projects and major facility improvements.

Roads Construction Fund – still reflects a substantial capital construction program, although somewhat less than the 2003 budgeted amount.

Ferry Services fund – major allocations are provided for a new ferry boat, dry docking expenses and facility improvements. A fee increase for the new boat and an expanded ferry schedule are included in this budget.

Roads Second REET – reflects an increase in the capital improvement program in 2004

C. Parks and Recreation Funding

Although the County's General Fund provides a direct allocation for parks and recreation services (\$6.2 million in 2004), there are several other county funds which provide parks and recreation services or which construct, repair or enhance parks and recreation facilities. The 2004 Budgets for these funds are as follows:

Parks Funds	
Conservation Futures	\$3,012,180
Parks Impact Fees	1,232,440
Parks Sales Tax	4,231,160
Peninsular Recreation Programs	344,220
Parks Second REET	3,072,250
Paths and Trails	3,262,180
Parks Sales Tax Bond	13,491,680
Parks Construction Fund	4,615,730
Parks REET Bond Fund	3,415,000
Golf Courses	1,077,020
Total	\$37,753,860

Although this \$37.8 million total includes some double counting (transfer between funds for project accounting purposes), it still represents an enormous commitment by the County and its citizens to greatly

enhanced parks and recreation programs – both for new facility construction as well as annual programs and services.

D. Environmental Services

The county Public Works and Utilities Department has four funds which deal with environmental issues. These funds and budgets are listed below:

Environmental Services Funds			
Fund	2004 Budget	2003 Budget	% Change
Sewer Utility	\$74,030,090	\$85,221,620	(13.1)%
Surface Water Management	18,572,220	17,967,340	3.4%
Solid Waste	4,902,140	5,664,540	(13.5)%
Water Utility	162,830	426,490	-61.8%
REET- River	1,779,800	2,058,600	(13.5)%

The major aspects of each fund can be summarized as follows:

- **Sewer Utility** – a reduction in the capital construction program, the addition of 6 new maintenance positions, and a proposed sewer rate increase
- **Surface Water Management** – 5 new positions, and a large capital facilities program.
- **Solid Waste** – a reduction in post closure and self insurance expenses, and the continuation of the Pierce County Responds program (+ ½ Office Assistant position)
- **Water Utility** – a reduction in comprehensive water plan expenses
- **REET River** – a moderate reduction in the acquisition of flood plain properties

It should be noted that the Sewer Utility fund includes a \$1.3 million loan for the design and engineering phase of the Chambers Creek Golf Course project.

E. Internal Service Funds

Internal Service Fund operations provide services, supplies, and equipment to other County departments, which pay for these services through various billing systems. In essence, these funds operate under the enterprise fund business model, except that their customers are other County departments. The long-range goal is to establish rates which will pay all operating and capital costs, and to insure that the General Fund does not need to subsidize these activities.

The following summarized any **significant** changes in the 2004 budgets:

Equipment Services Fund – the decrease results from reductions in both scheduled vehicle replacements, and requests for new additions to the fleet.

Information Services – reflects the full year of impact of 6 fewer positions due to the projected efficiencies from the new C.A.T.S. system, and 2 additional positions added for web development and virus protection functions.

Workers Compensation – a major increase is recommended based upon claims experience in the 2000-2003 period.

Many of these internal service funds will rely upon prior fund balance in order to support their 2004 budgets. This results from both the scheduled replacement of capital assets using depreciation reserves, and our desire to keep charges to other funds (especially the General Fund) to a minimum.

F. Special Revenue & Other Funds

The remaining County Funds have been established by state law or county ordinance to separately record the revenues and expenditures associated with specific programs. The most important 2004 budget highlights are:

- 1) The **Imaging System** fund contains major allocations to preserve the oldest records in the Auditor's Office, image the "property cards" and other documents in the Assessor's office, and assist in the preservation of official county records in the Public Works department.
- 2) **911 System Fund** includes major allocations for technology improvements as well as increased support for the various communications centers.
- 3) **REET Capital Improvement Fund** – includes a substantial construction and repair program affecting several county facilities.

III. UNRESOLVED ISSUES

Most issues are resolved during the budget preparation and adoption process. However, there are usually several issues which will "play-out" later once the new year is underway, and as developments unfold or new information becomes available. This budget is not unusual in that respect. We have several issues that are still in their formative stages, and which will need a resolution, and perhaps additional funding, in 2004.

Office Space/Courtrooms — we are renting at least 200,000 sq. ft. of office and storage space, at an estimated cost in excess of \$2,000,000. This problem

becomes more acute each year, and needs to be addressed in the near future. A more immediate space problem concerns the Superior Court, which needs additional courtrooms, judges chambers, and space for support staff. These space needs are likely to grow in the next several years. We are hopeful that the potential purchase of the Corporate Express Building, the City's vacating of the County-City Building, and the projected move of Community Services to the P.S.B.H. facility will provide the necessary county-owned space.

Medical Insurance — preliminary rate quotes for medical insurance are well in excess of what is budgeted, and what we can reasonably afford. Medical premiums have increased almost 50% in the last three years, and such increases are not financially sustainable. We are in the process of analyzing alternative proposals which we hope will maintain our basic benefit program at rates that are affordable.

Habitat Preservation — the County's responsibilities under the Endangered Species Act are still unfolding, and subject to a future series of federal and state guidelines, plan approvals, modified practices, and Council adopted regulations. We have already budgeted significant monies to fund our participation in this process, to assist in the generation of the necessary regulations and plans, and to finance several capital improvements. It is uncertain whether additional allocations may be required to fully comply with all that will be eventually mandated by this Act.

New Jail Operation — we originally budgeted for a 2003 average daily population (A.D.P.) in our jail facilities of 1,412, with corresponding staffing levels for correctional officers and command staff. However, the 2003 Y-T-D population has averaged 1,200. We need to reassess the likelihood of a significant growth in A.D.P., and the appropriate staffing levels.

Emergency Operations Center — both the Executive and Council feel that the current location of the emergency operation center in the basement of the County-City Building is inappropriate. It is our current plan to partner with the City of Tacoma (and perhaps other jurisdictions) to co-locate a permanent joint facility at the Corporate Express Building. However, at this time we are still in the "due diligence" phase of evaluating the building, and in the early stages of design and cost estimation.

New Jail Construction Costs — we have completed and opened the New Jail and are in the midst of remodeling the Main Jail. Due to several construction and system cost issues which have yet to be resolved, we do not have a final total cost figure for the New Jail project. It is our belief that monies in the Jail Construction fund (e.g. interest earnings) will be sufficient to pay for any additional expenses without the need for a General Fund allocation.

Union Negotiations — many of our union contracts are either currently unsettled or expire at the end of this year. If the eventual settlement for salary and fringe benefits is beyond the amounts included in the budget, further budget adjustments may be necessary.

SUMMATION

The 2004 budget is being submitted to the County Council at a time of unusual economic and financial stress. Issues surrounding the general state of the economy, Homeland Security responsibilities, the crippling affects of I-747, and the impact of the State's budget crisis argue for a cautious approach to next year's budget. We are also advising caution with regard to the use of any fund balance reserves. It is my view that the use of reserves should only be for one-time activities or projects (e.g. new facilities, building remodeling), or for emergencies. They should not be allocated for ongoing staff and programs.

Despite these pressures and uncertainties, we still have a responsibility to move forward and make the best use of the resources available to us. I believe that this proposed budget does that. I also believe that we have a responsibility to allow our citizens to enhance the services available to them if they so desire. The public safety sales tax vote on the November ballot provides that opportunity.

