



## SKAGIT COUNTY ADMINISTRATIVE SERVICES

TIM HOLLORAN, County Administrator

Date: November 21, 2011

Re: 2012 Preliminary Budget

Skagit County has not escaped the negative financial impacts of the current economy. The Board of County Commissioners has had to make some difficult decisions when reviewing and considering budget requests by departments. These decisions included property tax levies, state cuts, work force reductions, closure days and cost of living adjustments.

In August 2011, Skagit County Elected Officials and Department Heads submitted preliminary budget requests to the Board of County Commissioners totaling \$166,136,518. The requests were compiled and reviewed and the Board met with most departments between October 25, 2011 and November 2, 2011 to review the submittals. The results of those meetings and the decisions of the Board have resulted in a total preliminary budget in the amount of \$162,838,748 with a general fund budget of \$47,568,611 and a supplemental general fund budget in the amount of \$234,547. Prudent management through monthly monitoring of departmental budgets resulted in a forecast that builds reserves in the General Fund of nearly half a million dollars in 2011. The proposed 2012 budget spends down approximately \$1.5 million dollars in General Fund reserves. The Board of County Commissioners requirement of a 12% minimum fund balance will continue to be maintained.

The Board of County Commissioners is committed to working towards providing a responsible and responsive County government by ensuring reliable and stable economical budget administration. Law & Justice consumes over 70% of the County's General Fund budget\* and public safety continues to be a priority of the Board of County Commissioners. Outlined below are some details of the proposed 2012 Skagit County budget.

### **State cuts:**

As the State of Washington works to balance its budget, addressing a multi-billion dollar revenue shortfall, Skagit County will be directly impacted. The County's 2012 preliminary General Fund budget includes nearly \$3 million in state funding. The preliminary state budget prescribes a negative impact of nearly \$1.6 million in the County's General Fund in 2012 alone. The County's General Fund does not have the means to backfill these state cuts. This does not include further projected reductions in Public Health, Mental Health, and Community Services

or other state revenue streams. As future state cuts are realized, Skagit County will address these reductions through the budget amendment process during the first quarter of 2012.

**Retirement/Severance Incentive:**

The proposed 2012 budget offers a retirement/severance incentive to non-represented employees who choose to leave voluntarily. The County will engage in discussions with the represented regarding this incentive.

It is well known that the procurement of medical benefits is of great concern to all employees; however, it is possible that some employees may be in a position to retire or separate from service, but are concerned about an inability to receive such benefits upon separation. To provide options to staff and help reduce ongoing wage costs, the Board of County Commissioners will propose a retirement/severance incentive that would provide allocated dollars for the use of benefits for those eligible employees.

If eligible employees choose to separate and participate in this program, those positions vacated will be reviewed to evaluate the next steps for the organization with the number one consideration being to provide efficient, cost-effective services to the public. No individual department budget will be adversely impacted as a result of this program.

**2012 property taxes and sales tax:**

Keeping constituents in mind and recognizing the current de-valuation of homes, the Board of County Commissioners' proposed 2012 budget does not include any increases in property taxes. Current statutes allow the Board of County Commissioners to increase taxes by 1% over the prior year's assessment. This is the first time in more than 10 years that the Board of County Commissioners has decided not increase property taxes.

The Board of County Commissioners has included the positive financial impact of the capture of over \$213 million in New Construction resulting in an increase in taxes levied of over \$325,000 in the General Fund.

Sales taxes collected in the General Fund account for nearly 15% of the County's revenue. While the County has experienced an approximate 8% increase in sales taxes collected in 2011, the forecast for 2012 is projected to be flat.

The General Fund budget continues to include a levy shift from the Road Fund of \$1,000,000 and a Levy Diversion from the Road Fund in the amount of \$1,350,000. The Diversion will be used for Traffic Law Enforcement as allowed by statute.

**Contingencies:**

While there continue to be uncertainties that we are not able to address with the budget at this time, one certainty is that there will be some unusual legal expenses related to murder trials and the recent surge of pro se defendants. The 2012 preliminary budget includes \$500,000 for these potential expenses. In the event the expenses exceed the contingency amount, a budget amendment will be necessary.

The Board of County Commissioners will also keep a watchful eye on the federal budget. Any necessary changes will be addressed through the budget amendment process as more information becomes available.

**Reduction in closure days:**

Skagit County is continuing negotiations with its 13 Collective Bargaining Unions. Over the last few years, Skagit County has seen an increase in the number of closure days for County employees as a means of offsetting the impact of the continuing recession. In 2012, however, the Board of County Commissioners has included a reduction in the number of closure days to nine – resulting in an increase of three (1.15%) working days from 2011. Closure days, as in 2011, will not apply to Patrol, Corrections, Juvenile Detention and Ferry employees for operational reasons, or Elected Officials.

**COLAs for range 28 and above:**

On December 23, 2008, the Board of County Commissioners signed Resolution #R20080571 which set the medical plan and general wage increases for non-represented employees. Due to economic constraints, the Board of County Commissioners found it necessary to make some difficult personnel decisions. One such decision was to forego the 2009 general wage increase for non-represented employees at Range 28 – 35, while employees in Ranges 1-27 received a 3% increase.

The Board of County Commissioners recognizes the dedication and hard work of all of its employees and wishes to address the sacrifices made over the past three years. As such, in 2012, three years later, the Board of County Commissioners has decided to address promises made in 2008 (#R20080571) and provide a COLA of 3% for non-represented employees at Range 28 - 35. These employees are all still required to take closure days.

**Freezing positions:**

The resolution the Board signed setting the 2012 budget objectives does not include information regarding freezing County positions; however, as positions become vacant, the process of “freezing” jobs for 90 days and evaluating the need to refill them will continue for 2012.

**Position reductions:**

In 2012, Skagit County’s preliminary budget includes a possible reduction in the number of positions in both the Health Department and Planning and Development Services Department. In the Health Department, the preliminary budget projects a reduction of 5 Full Time Equivalent employees. The reductions in the Health Department are a direct result of state cuts. Planning and Development Services includes a reduction of 6.6 Full Time Equivalent employees. Employees in two of these positions will be transferred to other departments. Planning and Development Services Department reductions reflect a structural reorganization as a direct result of a significant decrease in the level of business activity and correlated revenue shortfall.

**Supplemental Budget:**

Departments requested supplemental items in the 2012 budget costing nearly 3 million dollars. Resources are not available to fund most of these requests. The Board of County Commissioners' proposed budget recommends approximately \$313,000 of supplemental expense, the majority of which is in the general fund. The approved supplemental items include 2 Corrections Deputies for the Jail in order to decrease overtime and an Appraiser in the Assessor's Office to allow for the capture of all new construction revenue as well as meet the Washington State Department of Revenue requirements regarding the physical inspection and revaluation program. All other supplemental requests remain unfunded.

\*This excludes transfers and payments to other funds.

Sincerely,



Tim Holloran