



SKAGIT COUNTY ADMINISTRATIVE SERVICES

TIM HOLLORAN, County Administrator

Date: November 18, 2013

Re: 2014 Preliminary Budget

Skagit County continues on the slow road to economic recovery. The Board of County Commissioners has had to make some difficult decisions when reviewing and considering budget requests by departments. Skagit County's main revenue sources are relatively stagnant in comparison to inflationary pressures and are less diverse and flexible than those of the State and Cities.

Public safety continues to be a priority of the Commissioners. Under Washington State's Constitution, the civil and criminal justice system is the County's responsibility to carry out comprising nearly 70% of our expenditure budget. In addition, we are constantly challenged with a host of mandated regulatory requirements that are increasingly complex and expensive.

The Board of County Commissioners, as the central budget authority, is challenged to weigh the needs of competing priorities with finite resources. The preliminary budget provides for a balance of quality essential services addressing our most critical needs while complying with mandates within our financial realities.

Our community validated the need to build a new Jail facility through a voter approved sales tax. This creates a new revenue stream to build and operate the jail. We have partnered with our Mayors, Cities, and Towns to ensure a fiscally responsible and operationally efficient facility for the citizens. A new enterprise fund, outside of the County General Fund, was created for the new County Jail.

Our Commissioners realize that constrained revenue growth requires our Elected Officials and Department Heads to continue prudent management practices while implementing additional efficiencies in order to live within our resources. We all thank our leaders for their on-going efforts to provide high-level customer service to our residents and welcomed visitors. We also want to thank our 13 collective bargaining units for their continued collaboration.

In August, per statute, Skagit County Elected Officials and Department Heads submitted 2014 preliminary budget requests to the Board of County Commissioners totaling \$161,738,439. Budget submittals were compiled and reviewed as the Board met with Elected Officials and Department Heads the week of October 21st, 2013.

SKAGIT COUNTY COMMISSIONERS ADMINISTRATIVE BUILDING
1800 CONTINENTAL PLACE, SUITE 100, MOUNT VERNON, WA 98273
PHONE (360) 336-9300 FAX (360) 336-9307 www.skagitcounty.net

The results of those meetings and the decisions of the Board have resulted in a total preliminary expense budget in the amount of \$170,411,840 with a general fund budget of \$49,548,793 and a supplemental general fund budget in the amount of \$35,723. Prudent management through monthly monitoring of departmental budgets resulted in a forecast that builds reserves in the General Fund of nearly \$440,000 in 2013. The proposed 2014 budget spends down approximately \$3.9 million in General Fund reserves. In light of the volatile state and national economy and limited revenue options, the Board of County Commissioners will continue to follow industry standards of budgeting to maintain a minimum 16.67% fund balance. This will be additionally important as we approach the construction of a new County Jail and prepare to issue bonds. The County currently has a quality rating of Aa3 from Moody's and expects that to remain unchanged or improved.

Outlined below are some details of the preliminary 2014 Skagit County budget.

Uncertain State and Federal Funding

As the State of Washington and Federal Government work to balance their budgets, Skagit County may be directly impacted. The County's 2014 preliminary General Fund budget includes nearly \$3 million in state funding and nearly \$750,000 in federal funding. As state and federal budgets continue to evolve, Skagit County will address these reductions through the budget amendment process during 2014.

2014 Property Taxes and Sales Tax

The 2014 Preliminary Budget includes the capture of over \$390,000 of increased taxes levied for the General Fund on over \$250 million in New Construction.

Current statutes allow the Board of County Commissioners to increase taxes by 1% over the prior year's assessment. The 2014 Preliminary budget includes this 1% increase of \$220,000 in the General Fund.

Sales tax collections projected in the General Fund account for a little over 17% of the County's General Fund revenue. While the County has projected an approximate 2.3% increase in sales taxes collected in 2013, the majority of it was related to one-time construction projects. The forecast for 2014 is projected to be flat.

The General Fund budget includes a reduction of a levy shift from \$1,000,000 to \$700,000 from the Road Levy to the General Levy. Additionally, we have dedicated funds to the Road Fund in the amount of \$500,000 of REET funds, and \$100,000 of Motor Vehicle Fuel Tax. A Levy Diversion from the Road Fund is maintained in the amount of \$1,350,000 and will be used for Traffic Law Enforcement as allowed by statute.

Personnel

The 2014 Preliminary Budget does not include a general wage adjustment. Skagit County has made it a priority to maintain a high quality employee health benefits program. The Board of County Commissioners recognizes the importance of this comprehensive benefits coverage for our employees and their family members.

Skagit County continues to negotiate with its 13 Collective Bargaining Unions. In 2013 Skagit County adopted nine closure days. The 2014 preliminary budget has been prepared with a contingency for six closure days. As in prior years, closure days will not apply to Patrol, Corrections, Juvenile Detention and Ferry employees for operational reasons, or Elected Officials.

The Board will continue the practice of evaluating the necessity of positions as they become vacant, by "freezing" jobs for 90 days and evaluating the need to refill them will continue for 2014.

The county proposes to modify its long-standing memorandum of agreement (MOA) with WSU Cooperative Extension services eliminating 1 FTE position (Office Assistant). It is our desire to have this position transitioned to WSU. The MOA will include funding that continues to support the services currently being provided by WSU.

The preliminary budget incorporates a reorganization of the Health Department by placing it within the Community Services Department to gain efficiencies and improved coordination. This will result in the elimination of the Director of Public Health position.

The Board of County Commissioners should be commended for its dedication to presenting a balanced budget. We take this opportunity to thank our hard working Budget and Finance staff, Trisha Logue and Chris Stamey for their conscientious work, diligence and attention to detail throughout this budgetary process.

Sincerely,



Tim Holloran