



SKAGIT COUNTY ADMINISTRATIVE SERVICES

TIM HOLLORAN, County Administrator

November 17, 2014

Re: 2015 Preliminary Budget

Our Skagit County economy is showing signs of modest growth. However, the Board of County Commissioners continues to be challenged to prioritize the need for services constrained by the realization of slow growth in revenues. The fact of the matter is that revenue projections are flat and cannot keep pace with rising inflationary costs. Skagit County is experiencing a loss in state funding, a realistic projection of no sales tax growth, and a limited increase in real estate excise tax and property tax receipts.

The Board of County Commissioners, as the central budget authority, presents a preliminary budget that provides for a balance of quality essential services. The budget addresses our most critical needs while complying with increasingly complex and expensive mandates and a host of growing regulatory requirements.

Our Commissioners, Elected Officials and Department Heads continue to lead with prudent management practices while implementing additional cost controls and efficiencies in order to live within our means. We all thank our leadership and employees for their on-going efforts to provide high-level, responsive and timely customer service. 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 2015 preliminary budget requests to the Board of County Commissioners totaling \$194,174,931. This included a base request of \$191,752,226 and supplemental request of \$2,422,705. The submittals were compiled and reviewed and the Board met with Elected Officials and Department Heads throughout the month of October 2014.

As a result of those meetings and deliberations, the Board is presenting a preliminary total expense budget in the amount of \$189,543,546. This amount includes a General Fund budget of \$50,903,436. Careful management through monthly monitoring of departmental budgets resulted in a forecast that spends down reserves in the amount of approximately \$1 million instead of the \$4.4 million that was budgeted for 2014. The 2015 Preliminary Budget again reflects spending down approximately \$4.4 million in General Fund reserves.

The Board of County Commissioners is committed to continue providing solid fiscal policy and budget management by maintaining a minimum fund balance in the General Fund equivalent to 2 months of expenditures. The current and projected fund balances reflect this policy.

As the State of Washington and Federal Government work to balance their budgets, Skagit County may be directly impacted. The County's 2015 preliminary General Fund budget includes nearly \$3.4 million in state funding and over \$800,000 in federal funding. We continue to adhere to the policy of not budgeting uncertain funding. As state and federal budgets continue to evolve and additional funding is realized, the inclusion of any supplemental revenues will be addressed through the budget amendment process during 2015.

Property tax revenues account for 45% of General Fund revenues. Current statutes allow the Board of County Commissioners to increase taxes by 1% over the prior year's assessment. The 2015 Supplemental budget includes this 1% increase of \$226,846 in the General Fund and \$132,951 in the Road Fund. The 2015 Preliminary Budget also includes the capture of assessments on New Construction in the amount just over \$300,000 of increased tax revenue for the General Fund and \$200,000 in the Road Fund.

Sales tax collections projected in the General Fund account for a little over 17% of the County's General Fund revenue. This is the second largest single source of revenue in the General Fund and the forecast for 2015 is projected to remain flat.

Our greatest resource and expense is our dedicated workforce. Our employees assisted in balancing the budget during the economic downturn by participating in closure days. The 2015 Preliminary Budget does not include closure days and has a contingency for a 2% general wage adjustment as well as continuation of the current health benefit program without change for 2015.

Public Safety continues to be our highest priority. Under Washington State's Constitution, the civil and criminal justice system is the County's responsibility to carry out and comprises over 60% of our expenditure budget. 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.

The Board of Commissioners has accepted a \$250,000 COPS Grant to assist in the funding of two additional patrol deputies. This requires a four year commitment with an average of \$175,000 in local match per year. In 2015, we will be eligible for \$110,000 in federal grant funds to be matched with \$242,000 of local funds.

This budget includes an increase in the level of nursing staff in the jail. Total coverage of 48 hours per week have been added to existing part time positions to meet the crucial need of providing improved medical screening and care to our increasing inmate population and mitigate the inherent risk. The budget also reflects an increased expense to enable Corrections Officers to participate in additional required training.

The Board of Commissioners has authorized a legislative request to seek approval of the creation of a third judicial position in District Court to primarily handle the increased caseload

in the municipal court settings. This will have no effect on the 2015 budget; however, there will be long term budgetary impacts.

The loss of state grant funding in Environmental Health necessitates the elimination of a vacant Environmental Health Specialist position.

The addition of a temporary, five month position is included in the Treasurer's budget to address the increased workload associated with Junior Taxing Districts and Tax Code Areas.

In Planning and Development Services, the Board expects to significantly improve the level of service, consistency and timeliness of issuing building permits. The Preliminary Budget proposal reflects the addition of a full time Permit Technician position at the front counter and a half time Plans Examiner position, while decreasing 20% of a Long Range Planning position.

The County Road Fund needs to build a solid reserve in order to establish sufficient funds to be used as local grant match and create appropriate contingencies for future construction projects. Public Works management also has a strong desire to return the scope of the chip seal maintenance program to pre-recession levels. The 2015 Preliminary Supplemental Budget includes additional miles of roadway in the annual schedule for chip sealing.

A projected reduction in the schedule and scope of Public Works construction projects requires a change in the level of project management staffing to meet the foreseeable planned workload. This has resulted in a reduction of 3.5 filled positions and 2.6 vacant positions.

The Board of County Commissioners should be commended for its dedication to present a well thought-out, balanced budget. We believe the Commissioners have prepared a budget that provides the best level of service it can within available resources. This Board diligently strives to develop a budget that provides a framework to make our organization lean and more efficient, streamline operations and provide exceptional customer service.

We take this opportunity to sincerely thank our knowledgeable and 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