



**King County**  
**Metropolitan King County Council**  
**Budget & Fiscal Management Committee**

Agenda Item No.: 9

Date: July 20, 2010

Briefing No.: 2010-B0147

Prepared By: Patrick Hamacher, Mark  
Melroy, Kelli Carroll  
Wendy Soo Hoo

**STAFF REPORT**

**SUBJECT:**

Briefing on Proposed Property Tax Ballot Measures to Support Replacement of the King County Youth Services Center Justice Facility

This staff report will be a briefing on the following 2 possible ballot proposals:

- **Proposed Ordinance 2010-0423** would forward an excess property tax levy to the voters of King County. The election would be held November 8, 2011. If approved, the measure would authorize King County to sell up to \$150,000,000 in UGO bonds, with duration not to exceed 20 years, for the replacement of the County's youth services center.
- **Proposed Ordinance 2010-0407** would forward an excess property tax levy to the voters of King County. The election would be held November 2, 2010. If approved, the measure would authorize the County to sell up to \$140,000,000 in Unlimited Tax General Obligation (UGO) bonds, with duration not to exceed 30 years, for the replacement of the County's youth services center.

**BACKGROUND:**

The YSC is comprised of 3 buildings and provides juvenile justice and family law services in King County, including the hearing of juvenile and family law cases, juvenile detention and rehabilitation, and family support for those navigating the legal system. Councilmembers are very aware of the ongoing structural and operations problems associated with the current facility. The replacement cost is projected to be approximately \$150 million depending on final design.

In Motion 13106 (December 2009), the Council indicated its preference for Option 5.5 as presented in the Superior Court Targeted Facilities Master Plan (FMP). This option would replace the Youth Services Center, allow for significant growth, unify north end dependency cases and family law cases with children. This option allows for consolidation of all functions at Alder, except for north end family law cases that do not involve children.

In approving the motion, the Council requested Superior Court and the Executive to analyze the project approach to determine whether it is possible to phase construction of the project and/or reduce the size of the replacement facility while maintaining the objectives of Scenario 5.5.

In an April 2010 response (Motion 13218), Superior Court and the Executive proposed constructing Option 5.5 in two phases. The Phase 1 building capital cost is estimated at \$109 million, with an additional \$18 million to build a parking garage, and is anticipated to be completed in 2015, subject to identification of a financing package.

Phase 1 would co-locate juvenile offender, Becca and dependency cases, but would not yet co-locate family law cases involving children with a total of 9-10 courtrooms and 167,000 square feet. The second phase of the project would potentially add 5-7 new courtrooms to allow for co-location of family law cases involving children and to accommodate future caseload growth. In total, after the second phase, the building would stand at 243,000 square feet and up to 17 courtrooms.

The YSC is primarily thought of as a Superior Court facility. However, staff from the King County Sheriff's Office, Superior Court, Adult & Judicial Detention, Judicial Administration, Prosecuting Attorney's Office and the Office of Public Defense all operate out of the facility. The current operating costs are approximately \$29 million annually for employee related costs and \$3 million for facilities costs. Upon completion the staffing model is approximately the same and the building facilities costs will be approximately \$300k higher. If you assume 4.8% annual increases in the employee related costs, the annual operating costs in 2016 would be approximately \$38 million upon completion of the project. This, plus the \$3.3 million in facilities costs would bring the total 2016 operating costs for the facility to approximately **\$41 million**.

#### *Property Tax Levy Suppression*

In 2010, the property tax rate for the Unincorporated Area Levy (UAL) was \$1.93 per \$1,000 of Assessed Value (AV). With continued annexations and decreases in property values (especially in unincorporated King County), that rate is likely to jump to the maximum rate of 2.25 per \$1,000 AV in 2011. This jump in the UAL rate, along with declining AVs, has created a levy suppression issue.

The issue of levy suppression, although more commonly occurring in rural counties throughout Washington State, is facing King County for the first time in recent history. Levy suppression occurs when the local taxing district rates in any given area in the county exceed the limit of \$5.90 per \$1000 of Assessed Value. The suppression issue has been discussed in detail in several previous council staff reports, which are available upon request. **For purposes of the current discussion, suppression is relevant because the issue makes the notion of an increase to the regular levy, commonly known as a "lid-lift" increase somewhat more difficult. If the regular levy were increased the suppression issue becomes worse. Essentially the County would then be left with two options, 1) an increase to the sales tax or 2) an excess levy (which is not subject to the \$5.90 limitation on rate, but requires a 60% "yes" vote with voter turnout at least 40% of the last general election).**

## ANALYSIS:

**Proposed Ordinance 2010-0407 and Proposed Ordinance 2010-0423** are excess levies that would provide funding for the YSC. These proposals would forward propositions to the November 2010 general election and the November 2011 general election respectively. Both proposals would approve the issuance of UGO bonds.

**Proposed Ordinance 2010-0423** would forward to the voters a proposition which, if approved, would authorize the county to issue up to \$150,000,000 in unlimited tax general obligation bonds with a term of up to 20 years for the replacement of the Alder YSC.

- **Debt Service:** This is a property tax levy. An approximation of the debt service payments for 20 year UGO bonds issued in a principal amount of \$150,000,000 is roughly \$10.8 million per year. The County would be authorized to collect a property tax at a rate sufficient to retire this amount. The total of all payments under this proposal (principal plus interest) would be approximately \$215,000,000. The election would be held November 8, 2011.
- **Cost to the Taxpayer:** If this tax were levied today, that would equate to a rate of approximately \$0.035/\$1,000 AV. On a property with a \$400,000 AV, this would be approximately \$14 in the first year, with the rate subsequently shrinking slightly each year over the 20 year time period.

**Proposed Ordinance 2010-0407** would forward to the voters, a proposition which, if approved, would authorize the county to issue up to \$140 million in unlimited tax general obligation bonds with a term of up to 30 years for the replacement of the Alder YSC. The election would be held November 2, 2010.

- **Debt Service:** This is a property tax levy. An approximation of the debt service payments for 30 year UGO bonds issued in a principal amount of \$140,000,000 is roughly \$8.4 million per year. The County would be authorized to collect a property tax at a rate sufficient to retire this amount. The total of all payments under this proposal (principal plus interest) would be approximately \$250,000,000.
- **Cost to the Taxpayer:** If this tax were levied today, that would equate to a rate of approximately \$0.027/\$1,000 AV. On a property with a \$400,000 AV, this would be approximately \$11 in the first year, with that rate subsequently shrinking slightly each year over the 30 year time period.

**Table 2: Comparison of Proposals**

	2010-0407	2010-0423
Cost to Tax Payer	\$11	\$14
Approx. Initial Rate	\$0.027/\$1,000 AV <sup>1</sup>	\$0.035/\$1,000AV <sup>2</sup>
Authorized Principal	\$140,000,000	\$150,000,000
Total of P&I Payments	\$250,000,000	\$215,000,000
Term of Debt	30 years	20 years
Operating Funds	No	No
Election	Nov-10	Nov-2011
Approval % needed	60%	60%
Turnout requirement	Yes <sup>3</sup>	Yes <sup>4</sup>

**INVITED:**

Dwight Dively, Director, Office of Management & Budget  
 Bruce Hilyer, Presiding Judge, King County Superior Court

**ATTACHMENTS:**

1. Proposed Ordinance 2010-0407
2. Proposed Ordinance 2010-0423
3. Summary of Cost Drivers of KC Government

<sup>1</sup> Estimate in the first year, subsequent years will likely be a lower rate.

<sup>2</sup> Estimate in the first year, subsequent years will likely be a lower rate.

<sup>3</sup> 40% of the turnout at the previous general election.

<sup>4</sup> 40% of the turnout at the previous general election.



KING COUNTY  
Signature Report

**Attachment 1**  
1200 King County Courthouse  
516 Third Avenue  
Seattle, WA 98104

July 19, 2010

Ordinance

Proposed No. 2010-0407.1

Sponsors Lambert, Dunn, von Reichbauer  
and Hague

1 AN ORDINANCE providing for the submission to the  
2 qualified electors of King County, at a special election to  
3 be held in conjunction with the general election on  
4 November 2, 2010, a proposition authorizing the county to  
5 issue general obligation bonds in the aggregate principal  
6 amount of not to exceed \$140,000,000 or so much thereof  
7 as may be issued under the laws governing indebtedness  
8 of counties, for the capital purpose of facilities for juvenile  
9 justice and family law services, including but not limited  
10 to replacement of the Alder Wing and Tower of the King  
11 County Youth Services Center, and providing for payment  
12 of the principal and interest of such bond by annual levies  
13 in excess of the tax limitations in RCW 84.52.050 to  
14 84.52.056, inclusive, and RCW 84.52.043.

15 BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

16 **SECTION 1. Findings - Authorization of Capital Improvements:**

17 A. Public safety is a fundamental purpose of government.

18 B. A strong criminal justice system is necessary to maintain safe and livable  
19 communities.

20 C. Under Washington state law, counties provide many regional and local  
21 criminal justice functions, including police protection, the incarceration of offenders,  
22 court services, and the prosecution and defense services of defendants.

23 D. The King County Youth Services Center ("YSC") facility at 12th Avenue and  
24 East Alder Street in downtown Seattle serves the justice needs of King County juveniles  
25 and families. The superior court has undertaken long range planning efforts for the  
26 provision of juvenile and family justice services and has completed both a Targeted  
27 Operational Master Plan ("TOMP") and a Targeted Facilities Master Plan ("TFMP").  
28 The TFMP recommends the replacement of the Alder Wing and Tower at the YSC. Over  
29 forty years old, the current facility is in a state of disrepair and has reached the end of its  
30 useful life. The costs of maintaining the building have become untenable with over \$20  
31 million in deferred maintenance costs alone. The facility is in need of replacement to  
32 ensure the continuing justice services for King County youth and families and to meet the  
33 demands of population growth in future years.

34 E. In order to ensure the highest return on its investments and have the greatest  
35 possible impact on those most in need, King County focuses on prevention and  
36 intervention efforts that reduce criminal justice involvement and costs, including job  
37 readiness, employment services and ending homelessness in conjunction with traditional  
38 criminal justice services.

39 F. Current funding for criminal justice is limited and insufficient to provide King  
40 County residents with the level of services that are needed to build and maintain safe and  
41 strong communities and all necessary capital facilities, such as the Youth Services  
42 Center.

43 G. To counter this shortfall and a general lack of funding for county government,  
44 King County has aggressively worked to reduce expenditures by consolidating  
45 departments and functions, reducing labor costs and eliminating positions and programs.

46 H. King County has also worked to obtain additional revenue tools from the state  
47 Legislature to offset the structural funding problem facing King and all other Washington  
48 counties. In the 2009 legislative session, King County was successful in obtaining a  
49 number of the changes sought over the years, such as additional flexibility for using  
50 certain existing funding to address funding deficiencies in the criminal justice system.  
51 However, these changes were not sufficient to solve the county's projected revenue  
52 shortfalls.

53 I. The county's projected 2011 and 2012 deficits threaten important criminal  
54 justice and other essential government functions. To balance the 2010 budget, the county  
55 was forced to cut fifty-six million dollars. For 2011, the deficit is projected to approach  
56 sixty million dollars. If the 2011 deficit is not met with ongoing reductions, then by  
57 2012, the deficit raises to eighty million dollars.

58 J. King County must continue to find efficiencies and capitalize on productivity  
59 gains through the use of technology, better program management and performance  
60 measurement in order to contain costs and bring growth in revenues and expenditures  
61 into equilibrium.

62 K. The county council hereby finds that the Youth Services Center is a "public  
63 health and safety facility" as such term is defined in RCW 36.89.010, and finds further  
64 that the essential public health and safety services provided by this facility are of general  
65 benefit to all of the residents of King County. To maintain King County's ability to

66 continue to provide services at a facility on the current site of the YSC, the county  
67 council further finds that the best interests of all of the residents of the county require the  
68 county to undertake a replacement project for the facility.

69 L. In accordance with RCW 36.89.040, the county council hereby finds and  
70 declares that the proposition authorized to be submitted to the voters by this ordinance  
71 and the replacement of the Youth Services Center authorized thereby and described in  
72 this ordinance have for their object the furtherance and accomplishment of a system of  
73 public health and safety facilities for the benefit of all residents of King County and  
74 constitute a single purpose.

75 M. The total estimated cost of the replacement, including the costs of issuing and  
76 selling the bonds provided in this ordinance, is declared to be, as nearly as may be  
77 determined, \$140,000,000.

78 **SECTION 2. Definitions.** The definitions in this section apply throughout this  
79 ordinance unless the context clearly require otherwise. "Youth Services Center  
80 Replacement Project" or "replacement" means: a capital project or series of capital  
81 projects to design, remodel, construct and equip facilities for juvenile justice and family  
82 law services, including but not limited to replacement of the Alder Wing and Tower of  
83 the King County Youth Services Center necessary to replace and expand the existing  
84 county facilities located at 12th and Alder in Seattle, WA. The facility is used to provide  
85 court services primarily to youth involved in the criminal justice system.

86 **SECTION 3. Bond Authorization.**

87 A. The bonds authorized may be issued as a single issue, as a part of a combined  
88 issue with other authorized bonds, or in more than one series. The bonds shall be fully



89 registered bonds; shall bear interest payable as permitted by law; shall mature within  
90 thirty years from the date of issue or such lesser time as may be fixed by the county  
91 council; shall be paid by annual property tax levies sufficient in amount to pay both  
92 principal and interest when due, which annual property tax levies shall be made in excess  
93 of regular property tax levies without limitation as to rate or amount but only in amounts  
94 sufficient to meet such payments of principal and interest as they come due; and shall be  
95 issued and sold in such manner, at such times and in such amounts as shall be required  
96 for the purpose for which such bonds are to be issued. The exact date, form, terms,  
97 redemption provisions, price, interest rate or rates, and maturities of the bonds shall be  
98 hereafter fixed by ordinance. Pending the issuance of the bonds, the county may issue  
99 short-term obligations pursuant to chapter 39.50 RCW.

100       B. The county council declares that to the extent, prior to the date bonds or other  
101 short-term obligations are issued to finance the Youth Services Center Replacement  
102 Project, the county shall make capital expenditures for the Justice Center from funds that  
103 are not (and are not reasonably expected to be) reserved, allocated on a long-term basis or  
104 otherwise set aside by the county under its existing and reasonably foreseeable budgetary  
105 and financial circumstances to finance the Youth Services Center Replacement Project,  
106 those capital expenditures are intended to be reimbursed out of proceeds of the bonds or  
107 other short-term obligations issued in an amount not to exceed the principal amount of  
108 the bonds provided by this ordinance.

109       SECTION 4. Levy Submittal. The county council shall submit to the voters of  
110 the county, for their approval or rejection, a proposition to authorize the county to incur  
111 indebtedness and issue not more than \$140,000,000 of its general obligation bonds to

112 finance the capital costs of design, remodeling, construction and equipping of the Youth  
113 Services Center Replacement Project, and to levy annual excess property taxes to pay and  
114 retire such bonds. If such proposition is approved by the requisite number of voters, the  
115 county will be authorized to incur indebtedness and issue the bonds in the manner  
116 described in this ordinance, to spend the proceeds thereof to pay the capital costs of  
117 design, remodeling, construction and equipping of the Youth Services Center  
118 Replacement Project, and to levy annual property taxes in excess of the tax limitations  
119 contained in RCW 84.52.050 to 84.52.056, inclusive, and RCW 84.52.043 to pay and  
120 retire such bonds.

121 **SECTION 5. Project Description.**

122 A. The county council estimates that the capital costs of design, remodeling,  
123 construction and equipping of the Youth Services Center Replacement Project will be  
124 approximately \$140,000,000.

125 B. The term "capital costs," as used in the previous paragraph shall be construed  
126 consistently with the term "capital purposes" in Article VII, Section 2(b) of the  
127 Washington State Constitution and RCW 84.52.056, but subject thereto, shall include the  
128 costs of architectural, engineering, legal and other consulting services, inspection and  
129 testing, administrative and relocation expenses, site improvement, demolition, on and off-  
130 site utilities, related improvements and other costs incurred incident to the design,  
131 remodeling, construction and equipping of the Youth Services Center Replacement  
132 Project and its financing, including the incidental costs and costs related to the sale,  
133 issuance and delivery of the bonds; provided, however, that the term "capital costs" shall  
134 not include the costs of maintenance, operations or the replacement of equipment.

135 C. The Youth Services Center Replacement Project will replace and expand of  
136 the Alder Tower and Alder Wing of the existing Youth Services Center project located at  
137 12th and Alder in Seattle, WA. The exact project specifications shall be determined by  
138 the county council.

139 SECTION 6. Call for special election. In accordance with RCW 29A.04.321,  
140 the King County council hereby calls for a special election to be held in conjunction with  
141 the general election on November 2, 2010. The director of elections shall cause notice to  
142 be given of this ordinance in accordance with the state constitution and general law and  
143 to submit to the qualified electors of the county, at the said special county election, the  
144 proposition hereinafter set forth. The clerk of the council shall certify that proposition to  
145 the director of elections, in substantially the following form, with such additions,  
146 deletions or modifications as may be required for the proposition listed below by the  
147 prosecuting attorney:

148 PROPOSITION \_\_\_\_: The King County council has passed Ordinance  
149 \_\_\_\_\_ concerning this proposition to replace and expand the Youth  
150 Services Center, a court facility that provides juvenile justice and family  
151 law services. This proposition would authorize the County to issue general  
152 obligation bonds in an amount not to exceed \$140,000,000, and levy  
153 property taxes in excess of regular property tax limitations of the tax  
154 limitations contained in RCW 84.52.050 to 84.52.056, inclusive, and  
155 RCW 84.52.043 to repay the bonds over a period of up to thirty years, all  
156 as provided in Ordinance \_\_\_\_\_. Should this proposition be:

157 Approved? \_\_\_\_\_

158 Rejected? \_\_\_\_\_

159        SECTION 7. If any one or more of the provisions of this ordinance shall be  
160 declared unconstitutional or invalid for any reason, such decision shall not affect the  
161 validity of the remaining provisions of this ordinance, the bonds or any short-term  
162 obligations issued in anticipation thereof, and this ordinance, the bonds and any short-

163 term obligations issued in anticipation thereof shall be construed and enforced as if such  
164 unconstitutional or invalid provisions had not been contained herein.

165

KING COUNTY COUNCIL  
KING COUNTY, WASHINGTON

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Robert W. Ferguson, Chair

ATTEST:

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Anne Noris, Clerk of the Council

APPROVED this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

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Dow Constantine, County Executive

Attachments: None





**KING COUNTY**  
**Signature Report**

**Attachment 2**  
1200 King County Courthouse  
516 Third Avenue  
Seattle, WA 98104

July 19, 2010

**Ordinance**

Proposed No. 2010-0423.1

Sponsors Ferguson

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8 of counties, for the capital purpose of facilities for juvenile  
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12 of the principal and interest of such bond by annual levies  
13 in excess of the tax limitations in RCW 84.52.050 to  
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21 criminal justice functions, including police protection, the incarceration of offenders,  
22 court services, and the prosecution and defense services of defendants.

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24 East Alder Street in downtown Seattle serves the justice needs of King County juveniles  
25 and families. The superior court has undertaken long range planning efforts for the  
26 provision of juvenile and family justice services and has completed both a Targeted  
27 Operational Master Plan ("TOMP") and a Targeted Facilities Master Plan ("TFMP").  
28 The TFMP recommends the replacement of the Alder Wing and Tower at the YSC. Over  
29 forty years old, the current facility is in a state of disrepair and has reached the end of its  
30 useful life. The costs of maintaining the building have become untenable with over \$20  
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32 ensure the continuing justice services for King County youth and families and to meet the  
33 demands of population growth in future years.

34 E. In order to ensure the highest return on its investments and have the greatest  
35 possible impact on those most in need, King County focuses on prevention and  
36 intervention efforts that reduce criminal justice involvement and costs, including job  
37 readiness, employment services and ending homelessness in conjunction with traditional  
38 criminal justice services.

39 F. Current funding for criminal justice is limited and insufficient to provide King  
40 County residents with the level of services that are needed to build and maintain safe and  
41 strong communities and all necessary capital facilities, such as the Youth Services  
42 Center.



43 G. To counter this shortfall and a general lack of funding for county government,  
44 King County has aggressively worked to reduce expenditures by consolidating  
45 departments and functions, reducing labor costs and eliminating positions and programs.

46 H. King County has also worked to obtain additional revenue tools from the state  
47 Legislature to offset the structural funding problem facing King and all other Washington  
48 counties. In the 2009 legislative session, King County was successful in obtaining a  
49 number of the changes sought over the years, such as additional flexibility for using  
50 certain existing funding to address funding deficiencies in the criminal justice system.  
51 However, these changes were not sufficient to solve the county's projected revenue  
52 shortfalls.

53 I. The county's projected 2011 and 2012 deficits threaten important criminal  
54 justice and other essential government functions. To balance the 2010 budget, the county  
55 was forced to cut fifty-six million dollars. For 2011, the deficit is projected to approach  
56 sixty million dollars. If the 2011 deficit is not met with ongoing reductions, then by  
57 2012, the deficit raises to eighty million dollars.

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59 gains through the use of technology, better program management and performance  
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61 into equilibrium.

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63 health and safety facility" as such term is defined in RCW 36.89.010, and finds further  
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65 benefit to all of the residents of King County. To maintain King County's ability to

66 continue to provide services at a facility on the current site of the YSC, the county  
67 council further finds that the best interests of all of the residents of the county require the  
68 county to undertake a replacement project for the facility.

69 L. In accordance with RCW 36.89.040, the county council hereby finds and  
70 declares that the proposition authorized to be submitted to the voters by this ordinance  
71 and the replacement of the Youth Services Center authorized thereby and described in  
72 this ordinance have for their object the furtherance and accomplishment of a system of  
73 public health and safety facilities for the benefit of all residents of King County and  
74 constitute a single purpose.

75 M. The total estimated cost of the replacement, including the costs of issuing and  
76 selling the bonds provided in this ordinance, is declared to be, as nearly as may be  
77 determined, \$150,000,000.

78 **SECTION 2. Definitions.** The definitions in this section apply throughout this  
79 ordinance unless the context clearly require otherwise. "Youth Services Center  
80 Replacement Project" or "replacement" means: a capital project or series of capital  
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85 court services primarily to youth involved in the criminal justice system.

86 **SECTION 3. Bond Authorization.**

87 A. The bonds authorized may be issued as a single issue, as a part of a combined  
88 issue with other authorized bonds, or in more than one series. The bonds shall be fully

89 registered bonds; shall bear interest payable as permitted by law; shall mature within  
90 twenty years from the date of issue or such lesser time as may be fixed by the county  
91 council; shall be paid by annual property tax levies sufficient in amount to pay both  
92 principal and interest when due, which annual property tax levies shall be made in excess  
93 of regular property tax levies without limitation as to rate or amount but only in amounts  
94 sufficient to meet such payments of principal and interest as they come due; and shall be  
95 issued and sold in such manner, at such times and in such amounts as shall be required  
96 for the purpose for which such bonds are to be issued. The exact date, form, terms,  
97 redemption provisions, price, interest rate or rates, and maturities of the bonds shall be  
98 hereafter fixed by ordinance. Pending the issuance of the bonds, the county may issue  
99 short-term obligations pursuant to chapter 39.50 RCW.

100       B. The county council declares that to the extent, prior to the date bonds or other  
101 short-term obligations are issued to finance the Youth Services Center Replacement  
102 Project, the county shall make capital expenditures for the Justice Center from funds that  
103 are not (and are not reasonably expected to be) reserved, allocated on a long-term basis or  
104 otherwise set aside by the county under its existing and reasonably foreseeable budgetary  
105 and financial circumstances to finance the Youth Services Center Replacement Project,  
106 those capital expenditures are intended to be reimbursed out of proceeds of the bonds or  
107 other short-term obligations issued in an amount not to exceed the principal amount of  
108 the bonds provided by this ordinance.

109       SECTION 4. Levy Submittal. The county council shall submit to the voters of  
110 the County, for their approval or rejection, a proposition to authorize the County to incur  
111 indebtedness and issue not more than \$150,000,000 of its general obligation bonds to

112 finance the capital costs of design, remodeling, construction and equipping of the Youth  
113 Services Center Replacement Project, and to levy annual excess property taxes to pay and  
114 retire such bonds. If such proposition is approved by the requisite number of voters, the  
115 county will be authorized to incur indebtedness and issue the bonds in the manner  
116 described in this ordinance, to spend the proceeds thereof to pay the capital costs of  
117 design, remodeling, construction and equipping of the Youth Services Center  
118 Replacement Project, and to levy annual property taxes in excess of the tax limitations  
119 contained in RCW 84.52.050 to 84.52.056, inclusive, and RCW 84.52.043 to pay and  
120 retire such bonds.

121 **SECTION 5. Project Description.**

122 A. The county council estimates that the capital costs of design, remodeling,  
123 construction and equipping of the Youth Services Center Replacement Project will be  
124 approximately \$150,000,000.

125 B. The term "capital costs," as used in the previous paragraph shall be construed  
126 consistently with the term "capital purposes" in Article VII, Section 2(b) of the  
127 Washington State Constitution and RCW 84.52.056, but subject thereto, shall include the  
128 costs of architectural, engineering, legal and other consulting services, inspection and  
129 testing, administrative and relocation expenses, site improvement, demolition, on and off-  
130 site utilities, related improvements and other costs incurred incident to the design,  
131 remodeling, construction and equipping of the Youth Services Center Replacement  
132 Project and its financing, including the incidental costs and costs related to the sale,  
133 issuance and delivery of the bonds; provided, however, that the term "capital costs" shall  
134 not include the costs of maintenance, operations or the replacement of equipment.

135 C. The Youth Services Center Replacement Project will replace and expand of  
136 the Alder Tower and Alder Wing of the existing Youth Services Center project located at  
137 12th and Alder in Seattle, WA. The exact project specifications shall be determined by  
138 the county council.

139 SECTION 6. Call for special election. In accordance with RCW 29A.04.321,  
140 the King County council hereby calls for a special election to be held in conjunction with  
141 the general election on November 8, 2011. The director of elections shall cause notice to  
142 be given of this ordinance in accordance with the state constitution and general law and  
143 to submit to the qualified electors of the county, at the said special county election, the  
144 proposition hereinafter set forth. The clerk of the council shall certify that proposition to  
145 the director of elections, in substantially the following form, with such additions,  
146 deletions or modifications as may be required for the proposition listed below by the  
147 prosecuting attorney:

148 PROPOSITION \_\_\_: The King County council has passed Ordinance  
149 \_\_\_\_\_ concerning this proposition to replace and expand the Youth  
150 Services Center, a court facility that provides juvenile justice and family  
151 law services. This proposition would authorize the County to issue  
152 general obligation bonds in an amount not to exceed \$150,000,000, and  
153 levy property taxes in excess of regular property tax limitations of the tax  
154 limitations contained in RCW 84.52.050 to 84.52.056, inclusive, and  
155 RCW 84.52.043 to repay the bonds over a period of up to twenty years, all  
156 as provided in Ordinance \_\_\_\_\_. Should this proposition be:  
157 Approved? \_\_\_\_\_

158 Rejected? \_\_\_\_\_

159        SECTION 7. If any one or more of the provisions of this ordinance shall be  
160 declared unconstitutional or invalid for any reason, such decision shall not affect the  
161 validity of the remaining provisions of this ordinance, the bonds or any short-term  
162 obligations issued in anticipation thereof, and this ordinance, the bonds and any short-

163 term obligations issued in anticipation thereof shall be construed and enforced as if such  
164 unconstitutional or invalid provisions had not been contained herein.  
165

KING COUNTY COUNCIL  
KING COUNTY, WASHINGTON

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Robert W. Ferguson, Chair

ATTEST:

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Anne Noris, Clerk of the Council

APPROVED this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

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Dow Constantine, County Executive

**Attachments:** None





## Attachment A: Summary of Cost Drivers & Cost Growth

### *Overall Cost Growth in the General Fund:*

Approximately 70% of the General Fund budget is related to personnel costs. This cost has historically increased by about 4.8% per year. The remainder of the general fund grows annually at 2.5%.

Of the growth that is related to personnel costs:

- **Salaries:** Salary growth is primarily attributable to step raises (2.4% for eligible employees) and Cost of living adjustments (COLA). From 2001-2009 this growth increased at 4.3% per year. This represents almost 70% of the cost growth within the personnel cost increases.
- **Benefits:** The growth of employee medical benefits has been well documented. From 2001-2009 the growth rate for the employee benefit package has averaged 6.4% per year. This increase represents 11.8% of the personnel cost increases.
- **Retirement:** The State of Washington sets the retirement contribution rates for the various employee retirement plans. From 2001 to 2009 this increase has averaged 6.5%. This increase represents 3.9% of the personnel cost increases.
- **Other:** this category is a catch-all for other employee related costs like industrial insurance, FICA, overtime, etc. From 2001-2009 this category grew by an average of 5.4%. This represents 14.8% of the cost growth within the personnel cost increases.

Table 1: Personnel Cost Growth

Item	2010 Percentage of Personnel-Related costs	2001-2009 Growth Rate
Salaries	69.5%	4.3%
Benefits	11.8%	6.4%
Retirement	3.9%	6.5%
Other (Ind. Insur., FICA, Overtime)	14.8%	5.4%
<b>Total</b>	<b>100.0%</b>	<b>4.8%</b>

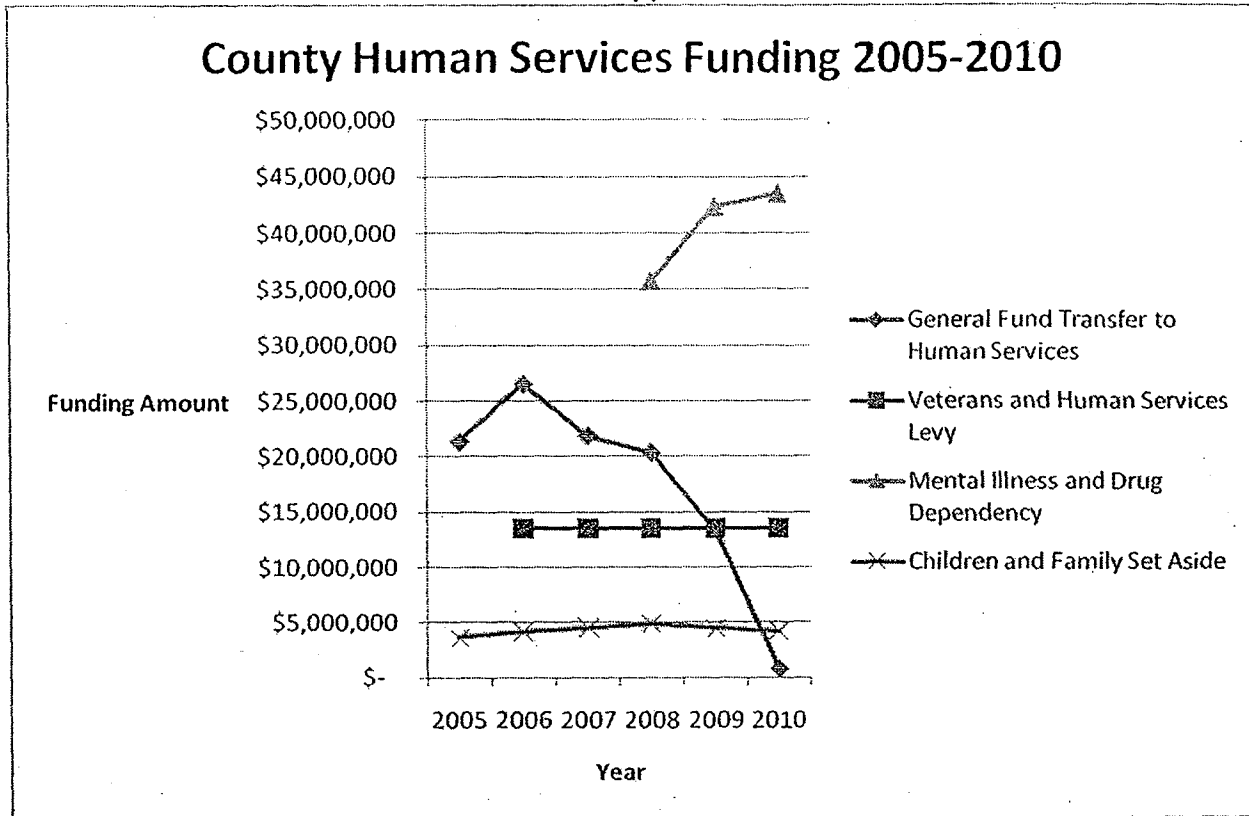
### *Budget Planning for Human Services*

There has also been another major ongoing reduction in spending from the County's general fund. In 2006, the County's general fund contributed in excess of \$26 million to regional human service programs. These programs could be food banks, homelessness programs, domestic violence and sexual assault programs or others that allowed key services to be provided throughout the County. There are four major sources of funding for human service programs:

- **The Children and Family Set Aside (CFSA)**
  - Established in 1988, receives a portion (.046 percent) of sales tax revenue. Revenue from the County parking garage is also dedicated to the set aside.
  - Funds prevention and early intervention services for children and families in DCHS and Public Health.
- **Dedicated property taxes or “millage”**
  - In effect since the early twentieth century, a percentage of property taxes set aside to support the County veterans (Vets), mental health (MH), and developmental disabilities (DD) services.
  - 1.5 percent of the regular property tax levy is dedicated to MH and DD (50 percent each), with Vets dedicated funding at .67 percent of the regular levy.
- **The Veterans and Human Services Levy (VHSL)**
  - Passed by King County voters in 2005, generates approximately \$13,300,000 per year (\$0.05 per \$1,000 assessed valuation) for six years.
  - The collection period expires at the end of 2011.
- **The Mental Illness and Drug Dependency (MIDD) sales tax**
  - Authorized by the King County Council in 2007, generates approximately \$40-50 million per year through a one tenth of one percent sales tax.
  - The collection period expires at the end of 2016.
  - MIDD funds are supplanting over \$13 million in lost General Fund in 2010.

In prior years the general fund was also a major contributor to the human service program. However, the 2010 budget includes less than \$1 million for human services, a 97 percent reduction from 2006. 2010 general fund supported services include services for survivors of domestic violence and sexual assault, and legal advocacy programs. Table 2 illustrates the reduction of general fund support for human service programs over the last several years. However, it should also be noted that the overall funding for human services has increased since 2007 with the addition of the Mental Illness and Drug Dependence (MIDD) sales tax. The MIDD sales tax increase created new funding for human services, however, it did not prevent the further erosion of support for human services from the general fund.

Table 2: General Fund Support for Human Services



In 2010, a portion of the general fund reduction in support for human services is being backfilled by the Mental Illness and Drug Dependence (MIDD) sales tax revenue and other sources. However, over the next several years, the County's ability to use MIDD to support existing services will roll-back under the current version of state law. As MIDD support is set to decline, the structural funding problems facing the general fund are exacerbated. With projected deficits of \$60 million followed by an additional \$80 million in 2012, it is possible that the County would make an additional \$140 million in cuts only to be faced with eliminating Drug Court and Mental Health Court in 2013.

**Employee Data:**

The County's general fund has remained relatively unchanged in terms of the number of employees budgeted to support general fund services over the last ten years. Table 3 illustrates the total number of employees supported by the general fund and also highlights the total number of employees dedicated to the County's criminal justice system.

Of note, the number of employees budgeted in 2010 is actually lower than the number budgeted ten years ago in 2001. Also of note, the County's criminal justice budgets made up just over ¼ of the budgeted employees in 2001 and still comprise roughly the same amount of the budgeted FTEs in 2010.

Table 3: General Fund Budgeted Employees

General Fund		Criminal Justice		CJ as % of FTE
Year	FTE	Year	FTE	
2001	4,406	2001	3,379	77%
2010	4,322	2010	3,378	78%
Change	(84)		(1)	

At the April 14<sup>th</sup> BFM special meeting Councilmembers heard from several agencies (District Court, Sheriff) that the overall demand for services was up. District Court caseloads are at their highest levels since 2003. Councilmembers also expressed a concern that in a recession crime rates will spike. Councilmembers also heard from the Superior Court and the Prosecutor that although caseloads were not necessarily higher, many lower-level cases were not being filed – this is due in large part to filing changes implemented by the Prosecutor to achieve budget reductions in recent years. The remaining cases that are being filed are often more complex and more violent crimes.

Finally, discussed later in the report, is another change related to employment factors. While the overall number of employees is similar to the 2001 employment numbers, those that were receiving a benefit package in 2010 has been dramatically reduced. What this means is that there are either more positions being held vacant or there are positions that are still “authorized” but are not being filled by departments as they try to ease the problems caused by the last several rounds of budget reductions.

**National Trends in Health Care Costs:**

The number of employees supported by the General Fund has declined by about seven percent since 2001, but costs per employee have grown substantially. Health care costs have been a major factor, with the cost per employee going up a little over 58 percent (an average of 9.6 percent per year) since 2004. Costs for similar health plans in the Seattle area grew by 41 percent during that same period (an average of 7.1 percent per year.) The higher cost growth rate for the county is due, in part, to factors such as higher average age of the workforce (costs are higher for older employees) and a larger number of family members covered under the plan.

King County is not alone in dealing with issues surrounding the cost to provide health care to employees. Executive staff provided information on pharmaceutical cost growth from Express Scripts (ESI), the largest pharmacy benefit manager in the U.S. Table 4 includes this data, as well as the annual percent change in King County’s pharmacy costs.

Table 4: Pharmaceuticals

Pharmaceuticals			
Year	BLS % Change	ESI Western U.S. % Change	King County % Change
2005	3.54%	13.0%	10.2%
2006	4.37%	9.0%	9.6%
2007	1.26%	8.4%	7.1%
2008	2.20%	5.4%	5.8%
2009	3.35%	3.8%	12.1%
Average	2.94%	7.92%	8.96%

Note that 2010 pharmacy cost growth is expected to significantly decrease in 2010. As a result of changes to the negotiated benefits package, co-pays for generics are decreasing (from \$10 to \$7) while preferred and non-preferred brand medications are increasing significantly (from \$15 to \$30 and \$25 to \$60, respectively). This should provide a much greater incentive for individuals to choose generic drugs, which will help restrict the county's pharmaceutical cost growth. Comparing January through March 2010 to the same period last year, King County's pharmaceutical costs are actually lower by 8 percent.

Additionally, Table 5 shows the same five year period focusing on the overall cost of hospital services. Over this same time period, the County's cost of medical care increased by an average of 9 % annually (overall, not hospital costs shown below).

Table 5: Hospital Costs

Hospital Services CPI	
Year	% Change
2005	5.36%
2006	6.39%
2007	6.48%
2008	7.56%
2009	6.76%
Average	6.51%

In aggregate, while the number of employees county-wide receiving benefits has not changed dramatically over the last five years, the costs to provide that level of coverage has increased. Table 6 shows the annual health care costs over five years and the number of employees receiving medical benefits. Without changes to the cost-drivers through lower employee usage, or regulation restricting costs, the County's only alternatives to affecting cost increases will be to reduce the level of coverage or increase the costs to employees. Both of these changes would be subject to collective bargaining.

<sup>1</sup> King County Office of Economic & Financial Analysis and Executive staff

<sup>2</sup> King County Office of Economic & Financial Analysis

Table 6: Employee Medical Costs

	Medical Costs and Covered Employees			
	Total Medical	Percent Change	Benefitted Employees	Percent Change
2009	169,776,414	9%	13,362	-0.44%
2008	156,107,792	13%	13,421	2.10%
2007	138,709,249	6%	13,145	1.71%
2006	130,638,782	11%	12,924	0.35%
2005	118,033,590	7%	12,879	-0.17%
Averages		8.98%	13,146	0.71%

Employee Contributions to Health Care:

Beginning in 2010, the County began a new three-year cycle for employee medical plans. The new plan runs through the end of 2012. Under this new plan employees contribute more towards the cost of their medical coverage through increased co-pays, deductibles and co-insurance. The increased payments amount to an additional \$840 per year for the average employee and bring King County in line with many other public employers throughout the region as shows in Table 7.

Table 7: Employee Medical Contributions

	Port of Seattle	Everett	Pierce County	KingCare <sup>SM</sup> Gold	Tacoma	State of WA	Seattle	Snohomish	Bellevue
				2010-2012					
Plan Design	14.6%	16.3%	16.3%	16.6%	13.2%	18.3%	17.6%	16.8%	17.5%
Contributions	0.0%	0.0%	0.0%	1.4%	5.8%	5.0%	7.1%	10.7%	13.6%
Totals <sup>1</sup>	14.6%	16.3%	16.3%	18.0%	19.0%	23.3%	24.7%	27.6%	31.0%

Mercer Consulting performed an analysis comparing King County's 2008 medical costs to the costs of other employers in the Seattle area to determine the effects of a range of demographic factors. Mercer determined that certain demographic characteristics significantly affected the county's medical costs. Notably, the demographic characteristic with the largest impact on the county's costs was the high rate of unionization among county employees. The average age of employees, average salary, and percent of employees with dependents also contributed to the county's higher costs, though these factors had less of an impact.

Mercer's analysis also found that plan design (deductibles and co-pays) and employee contribution levels (premiums) also contributed to higher costs. However, the analysis did not include 2010 costs, which may be reduced by the significant increases made to employee deductibles, co-pays, etc., to discourage unnecessary medical spending.

Overall, of these variables, the two most significant factors were the high rate of unionization followed by the plan design. Given that the county cannot change the rate of unionization among its employees, it is noteworthy that the county has made marked changes to the plan design (deductibles and co-pays) for 2010-2012, as this is one of the primary factors affecting costs. The changes in plan design are summarized in Table 8 below. Again, Mercer's analysis focused on 2008 costs and do not capture any potential cost savings resulting from changes in plan design for 2010.

Table 8: Benefit Changes

<b>KingCare Gold Coverage Changes Between 2009 and 2010-2012</b>			
	<b>2009</b>	<b>2010-2012</b>	<b>Projected 3-Year Savings</b>
<b>Deductible</b>	\$100 per individual \$300 per family	\$300 per individual \$900 per family	\$17,295,000
<b>KingCare Co-insurance</b>	In-network: 90% Out-of-network: 70%	In-network: 85% Out-of-network: 65%	\$5,791,000
<b>Prescription Drug Co-pays at Pharmacy</b>	\$10 generic drugs \$15 preferred brand \$25 non-preferred brand	\$7 generic drugs \$30 preferred brand \$60 non-preferred brand	\$11,882,000
<b>Benefit Access Fee</b>	\$35	\$50	\$2,242,000
<b>Total Savings</b>			<b>\$37,210,000</b>

**Possible Reductions to the Employee Benefit Package:**

Councilmembers have expressed an interest in examining what parts of the employee medical package could be eliminated. In Table 9 below, some of the potential items are identified. Note that eliminating these services would be subject to bargaining.

Table 9: Potential Reductions to Health Care Costs

<b>Benefit</b>	<b>Aetna standard</b>	<b>King County</b>	<b>Estimated Claims Paid 2009</b>
Comprehensive Fertility	Covers diagnosis and treatment of underlying cause only	Covers artificial insemination, embryo transfer and IVF (in vitro fertilization)	\$955,000 (\$286,500 in GF)
Bariatric surgery	Excluded	Covers bariatric surgery if member meets Aetna's clinical guidelines. No additional requirements, e.g., Inst. of Quality or other standard.	\$943,000 (\$282,900 in GF)
Alternative Care	No standard in place. Aetna applies standards	A total of 60 visits covered per year. 60-	\$675,000 (\$202,500 in GF)

	for maximums or coinsurance, the same as any other licensed provider.  An estimate was derived by using a stricter plan approach of 20 visit limit.	visit limit includes a combination of acupuncture, hypnotherapy, and/or massage therapy.	
TOTAL			\$2.6 million (\$771,900 in GF)

**Employee Salaries:**

At prior meetings, Councilmembers have asked about employee salaries. Table 10 below shows King County compensation compared to the Puget Sound region based upon data from BLS and King County. The table excludes overtime for all data sets and is based upon a standard work week. It should also be noted that King County policies call for compensation to be no more than five percent above or below the market average and all classifications are reviewed on a three-year cycle.

**Table 10: Compensation Data**

Year	Puget Sound		King County		% Difference
	Hourly <sup>3</sup>	Annual <sup>4</sup>	Hourly <sup>5</sup>	Annual <sup>6</sup>	
2008	\$30.10	\$62,608	\$28.87	\$60,050	(4.1%)
2009	\$31.86	\$66,269	\$30.76	\$63,981	(3.5%)
2010	\$31.92 <sup>7</sup>	\$66,394	\$33.10 <sup>8,9</sup>	\$68,848	3.7%

Motion 10262 (1997) establishes principles regarding compensation. That motion set the policy that classifications should be assigned to salary ranges so that compensation falls no more than 5% above or below market averages. The motion also identifies the employers that make up our comparables for determining the market costs. Those comparable employers are:

- Pierce County
- Snohomish County
- City of Bellevue
- City of Everett
- City of Seattle
- City of Tacoma
- Port of Seattle
- State of Washington
- University of Washington

<sup>3</sup> Data from King County Office of Economic & Financial Analysis, based on BLS data.

<sup>4</sup> Assumes a 40 hour work week or 2080 hours per year.

<sup>5</sup> Data from King County Human Resources & Office of Management & Budget

<sup>6</sup> Assumes a 40 hour work week or 2080 hours per year.

<sup>7</sup> Partial data. This represents January, February and part of March.

<sup>8</sup> Reflects budgeted salary amounts.

<sup>9</sup> Incorporates recent salary adjustments for corrections officers and sheriff's deputies.



Furthermore, King County Code 3.15.020 requires that those market comparisons be reviewed on a 3-year cycle.

Scope of the Overall Problem:

This staff report has covered many of the aspects affecting the overall pending deficits facing the County's general fund. Following is a summary of the magnitude of the problems and the potential changes that could be made to solve the ongoing problem in the general fund. Please note that all of the items discussed below would be subject to collective bargaining.

Staff prepared several hypothetical scenarios for reducing employee benefit costs. These are not presented as options for implementation, as any changes to the benefits package would need to be negotiated between the Executive branch and labor. Instead, the intent is to provide members with information about the magnitude of savings that would be achieved by reducing or wholly eliminating healthcare benefits.

- Institute premiums: If the county imposed premiums of \$200 per month per employee, \$400 per month for an employee plus a spouse or children, or \$600 per month for full family coverage, the General Fund savings would be about \$19 million. The county would still face a \$41 million General Fund deficit for 2011. (Note that the hypothetical premiums described above are three to four times the average premiums charged by the cities of Seattle, Bellevue and Tacoma, the state of Washington, and Snohomish County.)
- Reduce certain coverage: The county could also hypothetically reduce or eliminate specific coverage that may be perceived as generous to achieve the savings shown below:
  - Massages and other alternative therapies: \$202,500 in General Fund savings
  - Infertility treatment: \$286,500 in General Fund savings
  - Bariatric surgery: \$282,900 in General Fund savings
  - Total = \$771,900 in General Fund savings

Based on the examples shown above, this approach would not yield significant savings.

- Replace preferred provider organization (PPO) coverage with health savings account or health reimbursement account: This scenario would eliminate the KingCare plan and replace it with a high-deductible health plan, such as a health savings account (HSA) or health reimbursement account (HRA<sup>10</sup>).

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<sup>10</sup> Under employer-sponsored consumer directed health plans such as HSAs and HRAs, employees control accounts that the employer deposits funding into, which can then be used toward medical expenses. This type of plan is intended to provide incentive for employees to be cost-conscious in seeking medical care. In some plans, preventive

Studies vary widely in terms of the potential cost savings from implementing this approach. A 2007 Aetna study indicated this could result in a 2 percent lower rate of annual growth. For example, if the County's rate of healthcare cost growth from 2009 to 2010 were reduced by 2 percent through fully replacing the KingCare plans with HRAs or HSAs, it would have saved about \$1 million in the General Fund in 2010.

A 2009 study by CIGNA noted that costs could be up to 13 percent lower for organizations with HRAs and HSAs instead of PPO plans. Based on this figure, savings of about \$6.6 million in the General Fund could be achieved.

- Cut all benefits other than salaries/wages: In 2009, completely eliminating all benefits (medical, pharmacy, dental, vision, accidental death and dismemberment, long-term disability and life insurance) would have saved about \$57 million in the General Fund. Even if the county went as far as to completely eliminate all compensation other than salaries/wages, the county would still face a \$3 million General Fund deficit for 2011.
- Cut Wages & Salaries 10%: In 2010 the County has budgeted \$325 million for salaries and wages for employees supported by the General Fund. A reduction of 10% to all General Fund salaries and wages would net savings of \$32.5 million. The County would still face a deficit of \$28 million.

As noted above, these are not presented as options for cost savings, particularly as any strategies to reduce benefits or salaries would need to be negotiated. Rather the figures above give a sense of the magnitude of the deficit in relation to potential cost savings from reducing the employee benefits package.

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care is covered at 100 percent to ensure that individuals still seek cost-effective screening exams and other preventive care, such as mammograms, etc.