



**King County**

**Ron Sims**

King County Executive

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2003-462

October 13, 2003

The Honorable David Reichert

King County Sheriff

Room W-116

COURTHOUSE

Dear Sheriff Reichert:

Today, I am transmitting to the King County Council my 2004 Executive Proposed Budget. One of the components of my budget is a recommendation to levy the maximum rate on the Automated Fingerprint Identification System (AFIS) for the last two years of the current levy, thereby allowing us to give taxpayers a one-year hiatus on the levy in 2006. This strategy will allow us to reduce the considerable fund balance that has been accumulating over the current levy cycle. I believe this is a responsible management decision on behalf of the AFIS program and the taxpayers of King County.

**CONTEXT FOR THE RECOMMENDATION**

As you know the current AFIS five-year levy was approved by the voters of King County in September, 2000 for implementation beginning in 2001. The levy expires at the end of 2005. Since 2000, the AFIS fund has accumulated a sizable fund balance:

	2000	2001	2002
Actual Fund Balance in Millions	14.8	16.3	17.9

The growing fund balance is the result of two factors:

1. higher than expected revenue receipts

Revenues in Millions	2000	2001	2002
Budgeted	10.6	10.5	10.1
Actual	11.4	11.7	11.9
Difference +/-	0.8	1.2	1.8

2. lower than expected expenditures.

Expenditures in Millions	2000	2001	2002
Budgeted	17.5	18.7	19.1
Actual	15.6	12.7	13.3
Difference +/-	1.8	6.1	5.8



My staff worked with representatives of your office over the past couple of months and identified that actual expenditure levels on salary and benefits, services and other changes, and capital investments have consistently been lower than the budgeted levels over the course of the current levy cycle.

<b>Underexpenditure by Category (in millions)</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
Salary/benefits	0.4	0.6	0.4
Services & other charges	1.1	0.7	0.5
Capital & Equipment	(0.4)	3.5	3.0

**RECOMMENDATION**

In my 2004 Proposed Budget, I am recommending that the budget for capital expenditures in 2004 and beyond be lowered to more closely match historical and planned spending patterns. Even this change would leave a sizable fund balance for the AFIS fund at the end of the current levy. Therefore, I am recommending in my 2004 Budget that we levy the maximum rate for the last two years of the levy (2004 and 2005). Specifically, I am proposing the following rates per \$1,000 of assessed value:

<b>Year</b>	<b>Rate</b>
2004	0.04911
2005	0.04771
2006	0

This plan will mean that the homeowner of a \$200,000 house would pay \$9.82 in 2004 and \$9.54 in 2005. As the financial plan below demonstrates, the combination of the existing fund balance, the reduced capital expenditures, and the increased revenues for the next two years will allow us to accumulate enough money in the AFIS fund to allow us to give taxpayers a one-year hiatus from the AFIS levy in 2006.

	<b>2001 Actuals</b>	<b>2002 Actuals</b>	<b>2003 Estimated</b>	<b>2004 Proposed</b>	<b>2005 Projected</b>	<b>2006 Projected</b>
<b>Beginning Fund Balance</b>	14.8	16.3	17.9	11.5	11.8	12.2
<b>Revenue</b>	11.7	11.9	11.2	12.1	12.5	0.4
<b>Expenditures</b>	(10.5)	(10.3)	(17.6)	(11.8)	(12.0)	(12.5)
<b>Ending Fund Balance</b>	16.3	17.9	11.5	11.8	12.2	0.1

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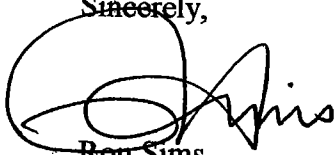
We considered an option of levying a lower rate for 2004 and 2005 and seeking renewal of the levy for 2006. This option would have led to the following rates for homeowners:

<u>Year</u>	<u>Rate</u>
2004	0.03535
2005	0.03364
2006	0.04330

This option would cost the homeowner of a \$200,000 house \$2.75 less in 2004 and \$2.81 less in 2005 than the plan I am recommending. The savings would be short-term, however, since it would require imposition of the levy in 2006, at a cost of \$8.66 to the homeowner of a \$200,000 house. By leveraging existing revenue capacity in the next two years, we can responsibly reduce the fund balance and spare taxpayers a year of AFIS taxes. This also prepares us to propose a new levy for 2007 that better links revenues and expenditures.

I look forward to your support of this plan as we work with the King County Council to adopt the 2004 budget. Please contact Steve Call, Director, Office of Management & Budget, 206-296-3434, if you have any questions or concerns about this plan.

Sincerely,



Ron Sims  
King County Executive

cc: King County Council Members  
    ATTN: David deCourcy, Chief of Staff  
        Rebecha Cusack, Lead Staff, BFM Committee  
        Clifton Curry, Senior Legislative Analyst  
        Anne Noris, Clerk of the Council  
AFIS Oversight Committee Members  
Steve Call, Director, Office of Management & Budget (OMB)  
Pat Lee, Chief, King County Sheriff's Office (KCSO)  
Marilyn Nault, Regional AFIS Manager, KCSO  
Bill Wilson, Finance Director, KCSO  
Kent Patton, Aide, KCSO  
Beth Goldberg, Budget Supervisor, OMB  
Chris Haugen, Economist, OMB  
John Baker, Budget Analyst, OMB