



King County

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King County Executive

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September 22, 2020

The Honorable Claudia Balducci
Chair, King County Council
Room 1200
C O U R T H O U S E

Dear Councilmember Balducci:

I am pleased to transmit my proposed budget for the 2021-2022 biennium and accompanying legislation for consideration by the King County Council. Although significant reductions were required in many areas, this budget maintains services for residents, continues progress on critical priorities such as the environment, and advances King County's anti-racism agenda.

Many County programs have been affected by the COVID-19 pandemic and the resulting economic recession. Despite the difficult situation, this budget makes strides in several key areas, including:

- Advancing an anti-racism agenda by reducing inequities in the criminal legal system. Proposals reflecting this priority include diverting lower-risk juvenile and adult cases from the legal system to community-based alternatives, which includes restitution for victims; collaborating with the Sheriff's Office and communities to design programs which supplement Sheriff's deputies responding in urban unincorporated areas; and building and operating a unit in the King County Correctional Facility to divert people from jail into a location that provides behavioral health and reentry services.
- Proposing implementation of an additional 0.1 percent countywide sales tax, as allowed by Revised Code of Washington (RCW) 82.14.530, to fund a new Health through Housing program supporting permanent supportive housing and behavioral health programs where housing is paired with services so individuals can have the support and stability necessary to rebuild their lives.
- Continuing focusing on environmental priorities such as achieving healthy water quality and habitats; preserving, creating, and maintaining green spaces; reducing greenhouse gas emissions; creating a clean energy economy; and accelerating programs for zero waste.
- Expanding investments in unincorporated King County by redirecting marijuana tax revenue from the Sheriff's Office to communities and making capital investments to improve parks, acquire open space, and repair bridges.

- Restoring and rebuilding our Metro Transit system to ensure access to mobility for essential workers and transit dependent riders during the COVID-19 pandemic and implementing a recovery and funding strategy as riders begin returning to transit.

Budget Outlook

Development of the 2021-2022 Proposed Budget occurred in a period of great uncertainty due to the COVID-19 virus, the resulting economic recession, and lack of a continued, consistent federal response.

King County's economy has suffered due to the COVID-19 pandemic and resulting recession. After peaking at a high of 14.9 percent in April 2020, the unemployment rate gradually declined to 8.3 percent in July. The Office of Economic and Financial Analysis (OEFA) forecasts an annual decrease in employment of 6.4 percent in 2020. King County's population has continued to grow during this period, with an expected increase of 1.5 percent in 2020. Job losses may increase as the federal paycheck protection program expires. As in other parts of the country, these job losses have particularly affected Black, Indigenous, People of Color (BIPOC) individuals and families, whose jobs tend to be concentrated in service industries.

In King County, the effects of the recession have been felt most severely by the hospitality industry. Hotel occupancy quickly fell by 90 percent compared to 2019 and remains at a very low level today. Despite efforts to remain solvent by offering take-out options and outdoor dining, many restaurants have closed and will likely continue to do so as long as pandemic precautions remain in place.

In addition to the economic downturn, uncertainty about the end of the pandemic crisis, the lack of a continued, consistent federal response, and the upcoming federal election in November have meant that the 2021-2022 Proposed Budget was prepared during a period of unprecedented uncertainty, even as the pandemic and recession have increased demands on county government. Accordingly, this budget has been developed with the assumption that COVID remains active through at least the summer of 2021.

The pandemic recession has contributed to a deterioration of county finances. After sales tax growth of 5.2 percent in 2019, the countywide tax base is projected to fall by 14.7 percent in 2020 before and is expected to begin to recover in 2021. Although property tax has remained more stable, OEFA's projection of countywide assessed value is growth of 2.2 percent in 2021 before an expected 2.1 percent decline in 2022.

The effect of the economic downturn on the County's funds varies significantly. Some funds with stable, dedicated revenue sources, such as Wastewater Treatment, Solid Waste, and King County International Airport remain in good fiscal condition. On the other end of the spectrum, County funds relying heavily on sales tax, such as Transit and the Mental Illness and Drug Dependency (MIDD) Fund, have seen drastic reductions in revenue necessitating immediate program reductions to remain solvent. Other County funds such as the General Fund, Public Health Fund, and Roads Fund face chronic financial shortfalls exacerbated by

the pandemic recession.

The Budget Transmittal Package

In addition to the 2021-2022 Executive Proposed Biennial Budget ordinance for operating and capital budgets, this transmittal package incorporates the following separate legislative components and reports.

Additional Ordinances

Emergency Budget Ordinance and Proclamation – This proposed ordinance declares a budget emergency for the 2021-2022 biennial budget. This action is consistent with the proclamation signed by the County Executive in September of 2020. The proclamation allows the County to work with labor partners to implement a furlough, reduction in hours, or closure of offices.

Rainy Day Reserve Fund Usage - This proposed ordinance declares an emergency and authorizes the use of the County's Rainy Day Reserve Fund to fund county government in 2021-2022. This proposed ordinance, however does not grant appropriation authority for the Rainy Day Reserve Fund. It is intended that the Rainy Day Reserve fund balance will be used to fund King County's emergency pandemic response in 2021-2022. Once the amount is identified, it will be communicated to the Council. If approved by the Council, appropriation authority would be included in the 2021-2022 budget ordinance.

Countywide Furlough Code Update - Given the budget crisis due to COVID-19, some County agencies are considering budgetary tools help balance budgets, including the use of furloughs and salary adjustments for salaried employees.

In September 2020, the Executive proclaimed a budgetary emergency in for the 2021-2022 biennium. If ratified by Council, the Executive may order a budgetary furlough pursuant to King Code (KCC) 3.12F. However, parts of this code chapter are outdated, as it pertains specifically to a furlough implemented in 2009.

If enacted, the proposed changes will enable the Code to apply to current and future furlough implementations if needed. In addition, the proposed changes will help streamline the process of entering into agreements with Labor Organizations if the agreements address no other subjects or additional terms. Finally, amending KCC 3.15 would provide additional flexibility to address budget shortfalls, clarifying that the Department of Human Resources Director can temporarily reduce salaries for salaried employees as a budget tool when the Executive proclaims a budgetary emergency.

Property Tax Ordinances - Included in this transmittal package are the proposed property tax ordinances necessary to collect the 2021 property tax revenue supporting the proposed budget. The 2022 property tax ordinances will be provided as part of the mid-biennium second omnibus ordinance in 2021. The Office of Performance, Strategy and Budget (PSB)

staff will work with Council staff in the coming weeks to ensure final numbers are included in these ordinances once that information is received from the Assessor.

House Bill 1590 Sales Tax Ordinance – This proposed ordinance, if approved, imposes an additional countywide sales and use tax of one-tenth of one percent, as permitted by RCW 82.14.530. The tax revenue will fund affordable housing and housing-related services; operations and maintenance costs of affordable housing and facilities where housing-related programs are provided; behavioral health-related facilities; newly constructed evaluation and treatment centers; and the operation, delivery or evaluation of behavioral health treatment programs and services. The proceeds from this tax will be deposited in a special revenue fund and managed by the Department of Community and Human Services. The proposed ordinance calls for the Executive to transmit a Health through Housing Implementation Plan no later than June 30, 2021 to the Council consideration and adoption. The Health through Housing Implementation Plan will describe the goals, strategies, performance measures, reporting requirements, and annual expenditure plan to direct use of the proceeds collected under the tax from 2022 through 2028.

Non-Represented Employee 2021-2022 General Wage Increase (GWI) Ordinance - This proposed ordinance if approved, preserves the 2020 salary schedules (effective 07/01/2020 through 12/31/2020) for 2021, and authorizes a two percent general wage increase from the 2021 schedules, effective January 1, 2022, for regular, short-term temporary and term-limited temporary employees in non-represented county positions. The ordinance is submitted pursuant to the provisions of King County Code 3.12.130 and 3.12.140 which require the King County Executive to submit standardized salary schedules and general wage increases.

The proposed ordinance also approves the following enclosed salary schedules:

- 2021 GWI King County Hourly Squared Schedule;
- 2021 GWI King County Annual/FLSA-Exempt Squared Schedule;
- 2021 GWI King County Standardized Hourly Salary Schedule;
- 2021 GWI King County Standardized Annual/FLSA-Exempt Salary Schedule;
- 2022 GWI King County Hourly Squared Schedule;
- 2022 GWI King County Annual/FLSA-Exempt Squared Schedule;
- 2022 GWI King County Standardized Hourly Salary Schedule; and,
- 2022 GWI King County Standardized Annual/FLSA-Exempt Salary Schedule.

Department of Local Services Utility & School Technical Review – This ordinance, if approved, restructures the agency responsible and membership of the Utilities Technical Review Committee (UTRC) and School Technical Review Committee (STRC) to the Department of Local Services (DLS) Director's Office. Oversight of the UTRC function moves from the Department of Natural Resources and Parks to DLS, reflected by amendment to KCC, as well as moving the STRC from the Permitting Division to the DLS Director's office. The Permitting Division continues to cover the costs associated with this body of work. This proposal aligns staffing of the committees with the appropriate County agencies, in alignment with the local services and regulatory functions of the DLS.

Department of Local Services Initial Catalog of Community Needs: KCC 2.16.055 requires the Executive to transmit to the Council the initial catalog of the community needs lists as part of the 2021-2022 biennial budget for those subarea geographies that have a subarea plan adopted during or before June 2022. Chapter 11 of the King County Comprehensive Plan directs that the subarea plans for Skyway-West Hill and North Highline be adopted during or before June 2022. These initial community needs lists were derived from: outreach and meetings conducted for development of the subarea plans in the Skyway-West Hill and North Highline-White Center communities; a crosswalk of the community-developed Skyway-West Hill Action Plan; and from additional outreach conducted by the Department of Local Services. The Department of Local Services aims to refine these initial catalogs by capturing community priorities, of the extensive needs identified in these catalogs, during the remainder of 2020 and 2021.

Fee Ordinances

A variety of fee increases are proposed through enclosed legislation. The proposed fee ordinances include the following departments and agencies. Please see specific legislation for details:

King County Sheriff Civil Fee – Proposed to the fees charged by the Civil Process Unit of the King County Sheriff’s Office. The Civil Unit charges fees for serving documents including notices of small claims, summons and complaints, family law actions, subpoenas, warrants, and other legal documents. The proposed increase will adjust fees by ten percent to account for inflation since the last increase four years ago.

Department of Judicial Administration (DJA) Fee for Electronic Copies – This proposed ordinance, if approved, raises the fee charged by DJA to provide electronic working copies. The staff, equipment, technology, supplies and overhead costs supporting this service have seen cost increases over the last 11 years without a commensurate increase in fees. This service is optional; parties can supply working copies directly to the Court, use a messenger service, or the USPS rather than DJA services.

DJA Data Fee – This proposed ordinance, if approved, authorizes DJA to assess a subscription fee for access to case indexes. This would allow DJA to charge a fee to prepare, execute, and monitor all contracts with vendors for downloads of the different King County Superior Court data and public indexes available to the public for subscription.

Department of Local Services Permitting Division Fee Increase– The Permitting Division is proposing fee increase for 2021-2022. The fee increase is commensurate with labor cost increase assumptions for the next two years, enabling the division to maintain current service levels. It is the smallest inflation-based fee increase since 2011 for the Permitting Division. The proposed fee increase maintains County permit fees comparable to the neighboring jurisdictions of Bellevue, Issaquah and Federal Way.

King County Code Changes

Department of Natural Resources and Parks - Landfill Financing Code Update - This proposed amendment, if adopted, makes it explicit that the King County can use bond proceeds, in addition to cash proceeds, to finance projects in its landfill reserve fund. This will level rate impacts. The use of bond financing is consistent with capital project financing guidance in the King County Comprehensive Financial Management Policies, dated September 2018.

Department of Community and Human Services Interim Loan Program Code Update - The interim loan program uses Housing and Community Development (HCD) fund balance to offer loans to experienced housing developers on a short-term, interim basis to acquire property for affordable and homeless housing. This proposed amendment, if adopted, increases the interim loan program limit from \$10 million to \$15 million. The HCD Fund balance is higher than projected due to slower than expected capital spending for affordable housing projects. The ending fund balance originally projected to be \$20 million at the end of 2020 is now expected to be \$39 million, which can support a larger interim loan program. With Transit Oriented Development Bond revenue expected in 2021-2022 and the hotel/motel tax starting, the HCD fund balance should increase considerably during the 2021-2022 biennium before leveling off in 2023-2024.

Agency Reorganization Ordinances

Reorganization Ordinance - Benefits, Payroll and Retirement Operations (BPROS) Move from the Department of Executive Services to the Department of Human Resources – The proposed ordinance, if approved, will move BPROS to the Central Employee Services Division of the Department of Human Resources. The reorganization will complete the process begun in 2018 of moving all employee administrative functions to one central location. BPROS to the Department of Human Resources will facilitate improving:

- Coordination between disability services and benefits to support employees who become disabled or are medically retiring;
- Coordination between workers compensation, benefits, payroll and retirement regarding service credits for employees who are off work due to a job-related illness or injury;
- Responsiveness when employees have questions related to benefits, pay, disability services and worker compensation; and
- Coordination in decision making regarding the design, delivery and operation of benefit services.

Fund Ordinances

Health through Housing Fund - This proposed ordinance, if approved, creates the Health through Housing Fund in DCHS. The Health through Housing Fund will be supported by one-tenth of a percent sales tax, as permitted by RCW 82.14.530, if approved. Proceeds from

this tax will fund affordable housing, housing-related services, and behavioral health programs and services for the most vulnerable King County residents.

Department of Local Services New Unincorporated Area Capital Fund – Included in the Executive’s Proposed Budget submittal is a proposed ordinance, if approved, establishes a new Unincorporated King County Capital fund to be managed by the Department of Local Services (DLS). This proposed ordinance adds a new section to King County Code Chapter 4A.200. The projects in this capital fund will be supported from issuance of \$20 million in new general obligation bonds. Project allocations will be informed through a community-centered approach and by the community needs lists that are under development.

Fund Closure Ordinance - This proposed ordinance, if approved, simplifies the financial structure of the capital improvement program of the Department of Natural Resources and Parks (DNRP) and the operating fund structure in Department of Executive Services (DES) by amending and abolishing funds.

For the DNRP Parks and Recreation Division this proposed legislation would repeal Ordinance 17527, Section 40, as amended, and K.C.C. 4A.200.470, and amend Ordinance 17527, Section 41, as amended, and K.C.C. 4A.200.500. This will result in the abolishment of the parks facilities rehabilitation fund 3490. Consistent with past practices and auditor recommendations, funds are closed as their original purpose is satisfied. There is no remaining balance requiring transfer from this fund.

For the DNRP Water and Land Resources Division the enclosed proposed ordinance would make technical revisions to King County Code chapters 4A.200.295 and 4A.200.465. Chapter 4A.200.295 will be repealed, and 4A.200.465 will be amended to include farmland. Due to the closure of the Farmland Fund 3840, any and all obligations related to the fund under Ordinance 4341 would be moved to the Open Space Non-Bond County Projects Fund 3522.

For the DES Fleet Services Division the proposed ordinance will add a new section to K.C.C. chapter 4A.200 and repeal Ordinance 17752, Section 11, and K.C.C. 4A.200.295 Ordinance 17527, Section 161, as amended, and K.C.C. 4A.200.450, Ordinance 12076, Section 16, as amended, and K.C.C. 4A.200.470 and Ordinance 12925, Sections 1 through 7, This will result in the closure of the Fleet Services Wastewater Treatment Division Equipment Rental and Revolving Fund and the Motor Pool Equipment Rental and Revolving Fund. All fund balance and assets of the funds to be closed will be recorded in the consolidated fund using an accounting structure similar to the existing accounting structure.

Other Reports and Motions

4Culture 2021 – 2022 Budget – Ordinance 18684 updated the Charter for 4Culture, King County’s Cultural Development authority, and included a requirement that beginning in 2020, 4Culture transmits the upcoming fiscal year’s annual budget to the King County

Executive for transmittal to the King County Council. The attached report includes the program of work budget and the 4Culture financial plan which addresses those requirements.

Department of Local Services (DLS) Implementation of Community Needs List - Ordinance 19146 adopted King County's Comprehensive Plan and included a requirement for the Executive to include a description of how the 2021-2022 Executive's Proposed Budget implements the community needs list. The attached report includes context around the development of the community needs lists for Skyway-West Hill and North Highline as well as a list of investments that address some of those requests.

Department of Local Services Schedule of Service Partnership - This proposed motion provides the current the schedule for completion of DSL service partnership agreements with executive branch agencies. The agreements outline responsibilities and coordination between the DLS and the respective executive branch agency for services, government relations, policy development and compliance, and communications for residents in unincorporated areas of King County.

Affordable Housing Report: Inventory and Feasibility Analysis of Affordable Housing on County-owned Properties – Included with this transmittal is the Affordable Housing Report, as required by King County Motion 15329. This report includes a methodology, inventory, and feasibility analysis of County-owned properties that could be potentially developed for affordable housing. The report identifies County-owned parcels that meet the report's threshold analysis as potentially developable and identifies future actions to further King County's goal to increase access to quality affordable housing.

Current List of Projects in Project Review Board Oversight Report – KCC 2A.380.200 requires that the Chief Information Officer provide to the Office of Performance, Strategy and Budget a list of all information technology capital projects with active appropriation authority, including projects not seeking funding in the proposed budget and the unexpended appropriation for each project, for inclusion with the executive proposed biennial budget. The attached report provides this information.

2020 Acceptance of Electronic Payments Report (2020 eCommerce Report) - The King County Administrative Policies and Procedures - Accepting Electronic Payments FIN 8-5 (AEP), effective November 7, 2005, includes the following provision: Section 6.5.1 "As part of the annual budget request, the Executive will provide the Council with a list of all agencies offering electronic payment options. For those agencies absorbing fees, either the actual or budgeted costs of transaction fees must be shown, as applicable, for the previous fiscal year, the present budget year and the upcoming budget year." The attached report provides this information.

The Executive Proposed 2019-2020 Biennial Budget Ordinance and related legislation support the King County Strategic Plan to exercise sound financial management and build King County's long-term fiscal strength.

The Honorable Claudia Balducci

September 22, 2020

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I certify that funds are available. If you have any questions, please contact Dwight Dively, Director, Office of Performance, Strategy and Budget at 206-263-9727.

Sincerely,

A handwritten signature in black ink that reads "Dow Constantine". The signature is written in a cursive style with a prominent horizontal line across the middle.

Dow Constantine

King County Executive

Enclosures

cc: King County Councilmembers

ATTN: Carolyn Busch, Chief of Staff

Melani Pedroza, Clerk of the Council

Rachel Smith, Deputy Executive and Chief of Staff, Office of the Executive

Shannon Braddock, Deputy Chief of Staff, Office of the Executive

Karan Gill, Director, Council Relations, Office of the Executive

Dwight Dively, Director, Office of Performance, Strategy and Budget

Elected Officials

Department Directors