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Title: AN ORDINANCE mandating sound financial policies for King County government and ensuring sustainable economic prosperity that will be the benchmark of fiscal stability for the county and will guide future budgetary actions by the King County executive and the King County council; and adding a new chapter to K.C.C. Title 4.

Sponsors: Larry Gossett

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AN ORDINANCE mandating sound financial policies for King County government and ensuring sustainable economic prosperity that will be the benchmark of fiscal stability for the county and will guide future budgetary actions by the King County executive and the King County council; and adding a new chapter to K.C.C. Title 4.

BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

SECTION 1. Findings.

A. King County is a regional government providing a broad array of basic services to over one million seven hundred thousand residents of King County.

B. King County is also the local government for nearly three hundred fifty thousand residents living in unincorporated King County outside city boundaries.

C. Most of the regional and local services King County provides, including those related to superior court, district court, sheriff, property assessment, public records, elections, licensing, juvenile and adult detention and public health, are mandated by state law.

D. The vast majority of these mandatory services are budgeted in the current expense fund.

E. The current expense fund is funded largely through property taxes, growth of which is capped by state law at one percent per year, plus new construction.

F. In the years 2002, 2003 and 2004, the projected current expense fund deficits were fifty-two million, forty-one million and twenty-four million dollars respectively; and drastic financial measures were necessary to resolve these deficits.

G. The King County executive created several citizen advisory initiatives to help address many of the underlying causes of the county's ongoing budget shortfalls. Each of these citizen organizations played an important role in achieving financial recovery of the county, and has made a substantial contribution toward the creation of a plan for future economic stability in the region. These initiatives include:

1. The budget advisory task force, composed of citizens from a wide variety of backgrounds, charged to "examine the county's current expense (CX) fund, programs, policies, processes and budgets, and make recommendations regarding policy and operational changes that may provide appropriate additional cost savings, as well as the need, if any, for additional revenues in support of CX programs";

2. The metropolitan park task force, a committee representing a broad spectrum of interests that recommended comprehensive strategies for achieving long-term stability in parks. These strategies have been incorporated into the county's parks procedures and policies to: reduce the size of division staff, transfer in-city parks to cities and initiate entrepreneurial ventures that now provide substantial non-tax revenues to support parks;

3. The health advisory task force, a distinguished panel from medicine, business, academia, labor and government, which developed a bold new approach for managing the spiraling costs of health care by

improving the quality of care. Many task force recommendations have been included in the recently negotiated benefit package with county employees and drove the creation of the Puget Sound Health Alliance, a consortium of the region's employers, health plans, hospitals and doctors that is re-shaping the face of health care in the region; and

4. The task force on regional human services, which brought together community organizers, clergy and business leaders to examine the challenges to our existing human services structure and operations, and provided specific short- and long-term strategies for stabilizing, improving and maintaining the human services safety net for future generations.

H. Also in response to the ongoing fiscal crisis the King County executive and council took action to bring revenues and expenditures into alignment for long term financial stability by pursuing the following criminal justice initiatives. The cumulative impact of these criminal justice reform efforts helped avoid construction of a third regional jail, resulting in tens of millions of dollars of savings to the county:

1. Approval of the Juvenile Justice Operational Master Plan on August 7, 2000, by Ordinance 13916, which emphasizes prevention, intervention, and alternatives to secure detention that are cost-effective, promote justice, protect the public and help youth in trouble make responsible choices.

2. Approval of the Adult Justice Operational Master Plan July 22, 2002, by Ordinance 14430, which sets policy standards that reduce the use of secure detention, promote alternatives to detention such as work release, provide treatment options for substance abusing and mentally ill offenders and identify system and process efficiencies. These changes have reduced costs and promoted public safety;

3. Establishment of the community corrections division to ensure effective and efficient implementation of alternatives to secure detention on December 16, 2002, under Ordinance 14561;

4. Establishment of the priorities and process for the criminal justice council to identify system-wide policy and operational changes improving public safety and contributing to a balanced budget on July 29, 2002, under Motion 1491;

5. Implementation of a systematic review of the jail health system in 2003 is already improving inmate health care and reducing costs; and

6. Restructuring of the district court administration is resulting in significant savings.

I. King County established Framework Policies for Human Services, under Ordinance 13629, prioritizing discretionary human services, with the highest-priority services being those that either reduce involvement in the criminal justice system or increase the efficiency and effectiveness of criminal justice interventions, or both.

J. Adoption in 2002 of a parks omnibus business plan, under Ordinance 14509, has reduced general fund park expenditures by seventeen million dollars annually while ensuring every park and pool stayed open to the public.

K. King County developed a midterm funding strategy for the regional parks system with passage of a voter-approved dedicated four-year property tax levy generating seven million dollars in new revenues annually.

L. King County accomplished a restructuring of arts and cultural resources programs through a transfer of these programs to a cultural development authority outside of county government with greater flexibility in service delivery and revenue generation, under Ordinance 14482.

M. A reorganization of county administrative and overhead services streamlined government and reduced costs, shrinking the number of departments from fourteen to seven and eliminating over five hundred full-time positions.

N. Significant resources have been committed to investments in technology and infrastructure that will produce long-term savings through more efficient work flows and will ensure public safety in county buildings.

O. Negotiation of an innovative benefits package for county employees significantly reduced employees' health care costs while maintaining their coverage levels.

P. Continuation of sound fiscal management and financial policies ensured that the county receives very

high bond ratings and low costs of borrowing. These policies include refinancing of debt to take advantage of current low interest rates, as reflected in the following statement from Moody Investment Services on December 21, 2004:

"King County has maintained its strong financial position despite significant challenges . . . the County's financial management focuses on a goal of maintaining fund balances between six and eight percent of revenues . . . The County has been invariably successful at meeting this goal";

and Standard & Poor's on March 29, 2005:

"The County continues to demonstrate a very strong commitment to maintaining its reserve levels - meeting or exceeding its reserve policy year after year."

The resulting interest savings have been thereby made available for direct services.

Q. Enactment of flexible budgeting in certain capital programs ensured that these programs remain on-time and within budget.

R. In collaboration with employees, King County saved sixteen million dollars over four years in the wastewater treatment division through an innovative employee-based productivity initiative, in which employees apply their knowledge and skills to create more efficient business practices.

S. The solid waste division budget has saved more than nine million dollars annually. This has been accomplished by making operations more streamlined and efficient while still maintaining services.

T. These actions have allowed King County executive and council to reduce spending by over one hundred thirty-five million dollars in the 2002, 2003 and 2004 budgets.

U. In the 2004 budget, the King County executive and council took further actions to bring county revenues in alignment with expenditures, including:

1. Cutting an additional eight million dollars from the general budget;
2. Generating seven million dollars in new revenues, without rate increases, by charging the solid waste division utility rent for the Cedar Hills landfill and achieving organizational efficiencies.

3. Generating two million dollars in new revenues derived from a special revenue fund to pay for the King County sheriff's traffic enforcement activity on unincorporated area roads.

V. The combined effect of reduced spending and increased efficiencies has allowed King County to reduce its projected structural deficit to zero.

W. King County finds it in the best interest of the county and its taxpayers to codify certain financial policies that have previously been approved by motion of the county council. These include: the undesignated reserve requirement, under Motion 5888, January 1984; the fifteen-million-dollar sales tax reserve subfund, under Motion 8352, July 1991; and the five-percent debt service limitation, under Motion 11196, May 2001.

X. King County finds that out-year financial implications must be understood by policymakers before action on budget amendments and supplemental appropriations.

Y. King County finds that criteria employed to close budget deficits in 2003, 2004 and 2005 should be enacted into code to guide future budget decisions.

Z. King County finds that temporary suspension of these financial policies may be necessary through a separate ordinance containing a declaration of suspension and outlining the reasons for taking the action.

SECTION 2. Sections 3 through 9 of this ordinance should constitute a new chapter in K.C.C. Title 4.

NEW SECTION. SECTION 3. Current expense undesignated fund balance. An undesignated fund balance of between six and eight percent of currently estimated annual revenue shall be maintained at all times in the current expense subfund. Reduction of fund balance below six percent is prohibited without a declaration of suspension under section 9 of this ordinance.

NEW SECTION. SECTION 4. Sales tax reserve subfund. A sales tax reserve subfund of not less than fifteen million dollars shall be maintained at all times in the general fund. Reduction of fund balance below fifteen million dollars is prohibited without a declaration of suspension under section 9 of this ordinance.

NEW SECTION. SECTION 5. Limitation on debt service. Annual debt service payments from the general fund shall not exceed five percent of net general fund revenue available for debt service. No further

debt shall be incurred should projected debt service exceed forecasted capacity under this section. Annual debt service payments from the general fund exceeding five percent of net general fund revenue is prohibited without a declaration of suspension under section 9 of this ordinance.

NEW SECTION. SECTION 6. Out-year balancing requirement - annual executive proposed budget. The executive proposed budget transmitted to the council pursuant to K.C.C. 4.04.030 shall include a three-year financial plan for the current expense subfund. This financial plan shall project out-years under the proposed budget and identify any out-year spending reductions required to balance. When the council adopts the final annual budget it shall also adopt a three-year financial plan for the current expense subfund. This financial plan shall project out-years under the adopted budget and identify any out-year spending reductions required to balance.

NEW SECTION. SECTION 7. Out-year scoring requirement - amendments and supplemental appropriations. Any budget amendment or supplemental appropriation that would alter out-year current expense fund balances of the general fund must be scored by the office of management and budget before adoption by the council. This analysis will classify the expenditure as one-time or ongoing, and the source of funding as one-time or ongoing, while estimating the marginal annual impact on the most recent council-adopted three-year financial plan.

NEW SECTION. SECTION 8. The following criteria shall be used to prioritize funding of current expense services and programs.

- A. Public safety and public health are the highest priority of county government;
- B. Services mandated by state law shall be prioritized over services that are discretionary;
- C. Services provided on a regional basis shall be prioritized over local services;
- D. Unincorporated local services shall be prioritized over local services in cities;
- E. Direct services to the public shall be prioritized over administrative functions, except where administrative functions are necessary to comply with legal and audit requirements;

F. Fees shall fully recover the cost of providing services, considering the needs of low-income citizens and seniors as appropriate;

G. Contracts for services with cities or other entities shall fully recover costs to the county of providing such services;

H. Current expense revenues shall not be used to replace reduced or eliminated federal or state-funded grant programs; and

I. It shall be a top priority of government to invest one-time money and unanticipated revenues to facilitate in the annexation or incorporation of urban unincorporated King County by December 31, 2008.

NEW SECTION. SECTION 9. Declaration of Suspension. The financial policies in sections 3, 4 and 5 of this chapter may be temporarily suspended by a vote of the county council to adopt a declaration of suspension. Any such a declaration of suspension must be enacted by a separate ordinance, adopted by five affirmative votes of

the members of the county council. The declaration of suspension must also contain a report outlining the specific reasons for taking such an action.