King County 2001-2011 Budgets

Presentation to Council Budget and Fiscal Management Committee

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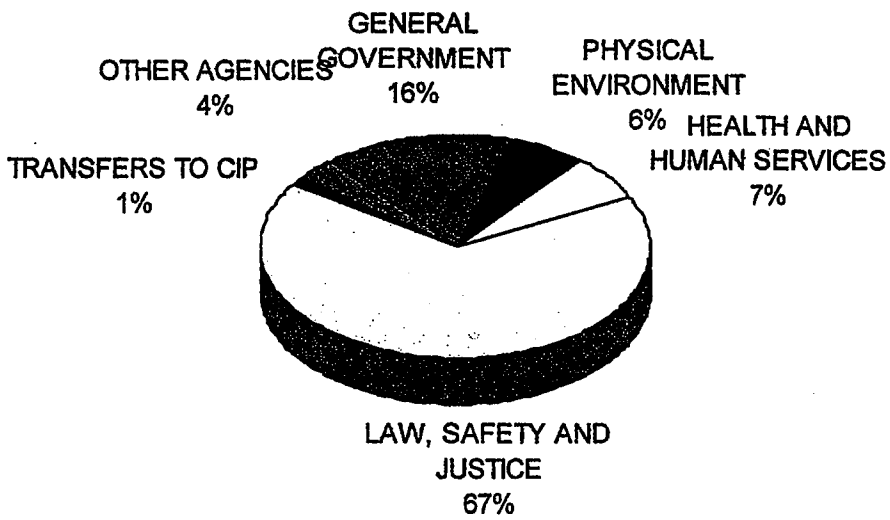
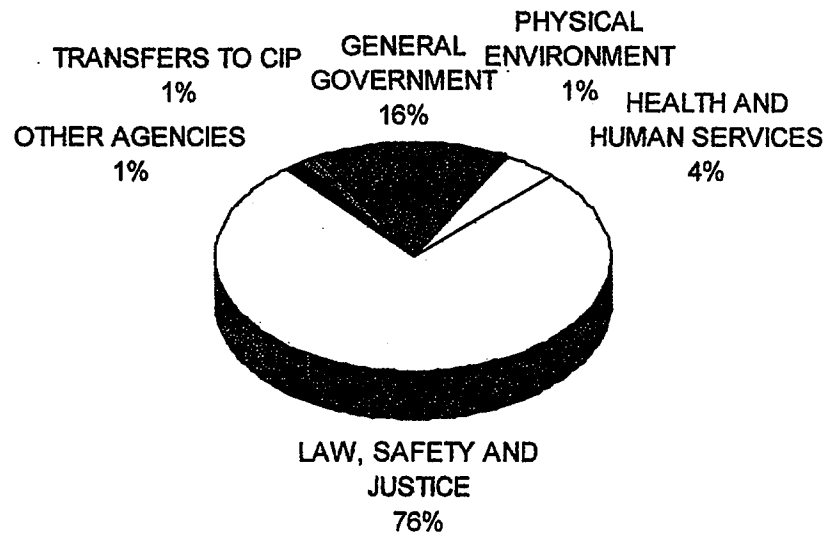
April 14, 2010

General Fund Expenditures – by Program Area

2001 Distribution of General Fund & CJ Fund
$514 Million



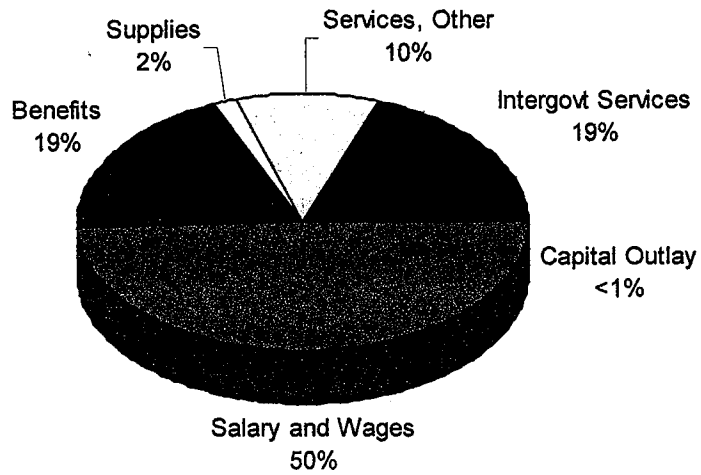
2010 Distribution of General Fund
$629 Million



- General Fund support for Health and Human Services and Physical Environment has decreased from 2001 to 2010.
- Law, Safety, and Justice has increased from 67% of the General Fund to 76%. In 2001, the CJ Fund was outside of the General Fund with adopted expenditures of $20.5 million. The 2001 figures above include the CJ Fund expenditures.

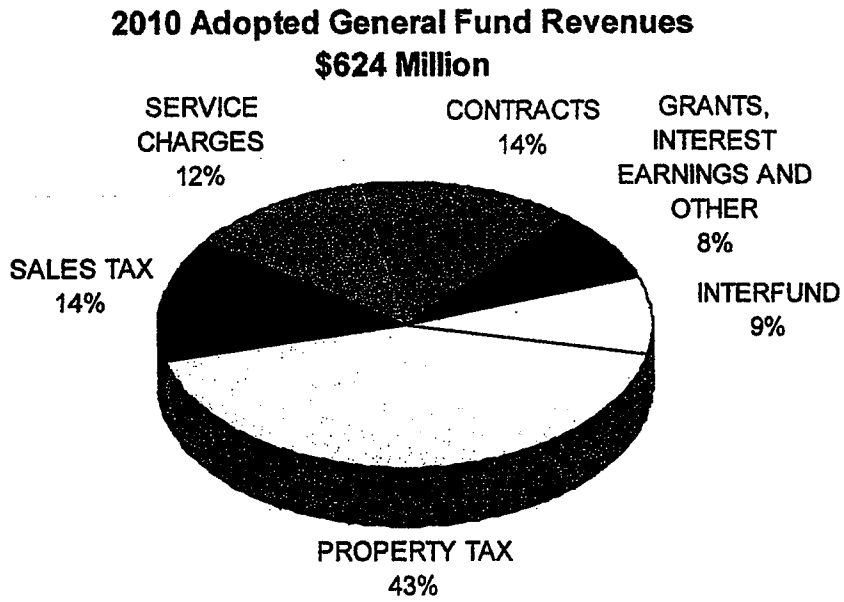
General Fund – by Cost Item

2010 General Fund Expenditures by Cost Item
$629 Million



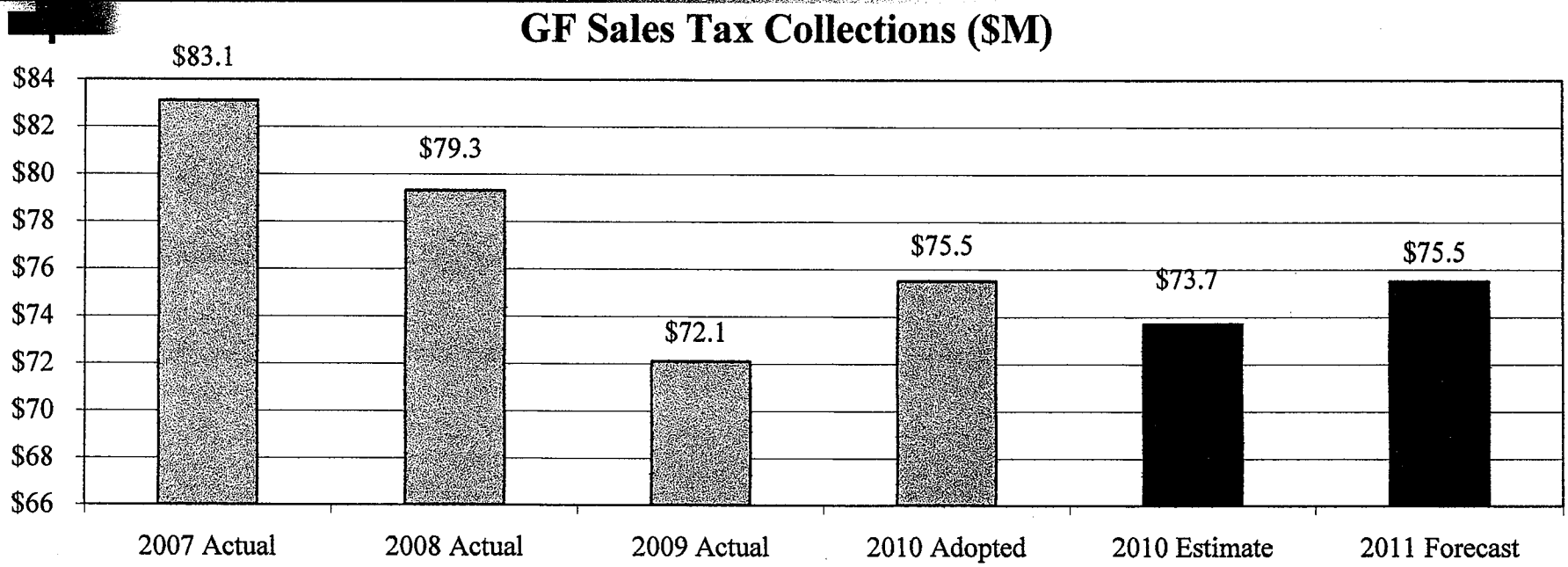
- Labor costs (salaries and benefits) account for approximately 69% of General Fund Expenditures
  - Intergovernmental Services include central rates which are also largely driven by salary and wages
  - Contra and contingency accounts are included in salary and wage category
- These costs are driven by:
  - COLA (90% of CPI-W with a floor of 2% in most contracts)
  - Merit Increases of 2.4%
  - Employee Benefits (increase ranges from 5% to 15%)

General Fund Revenue



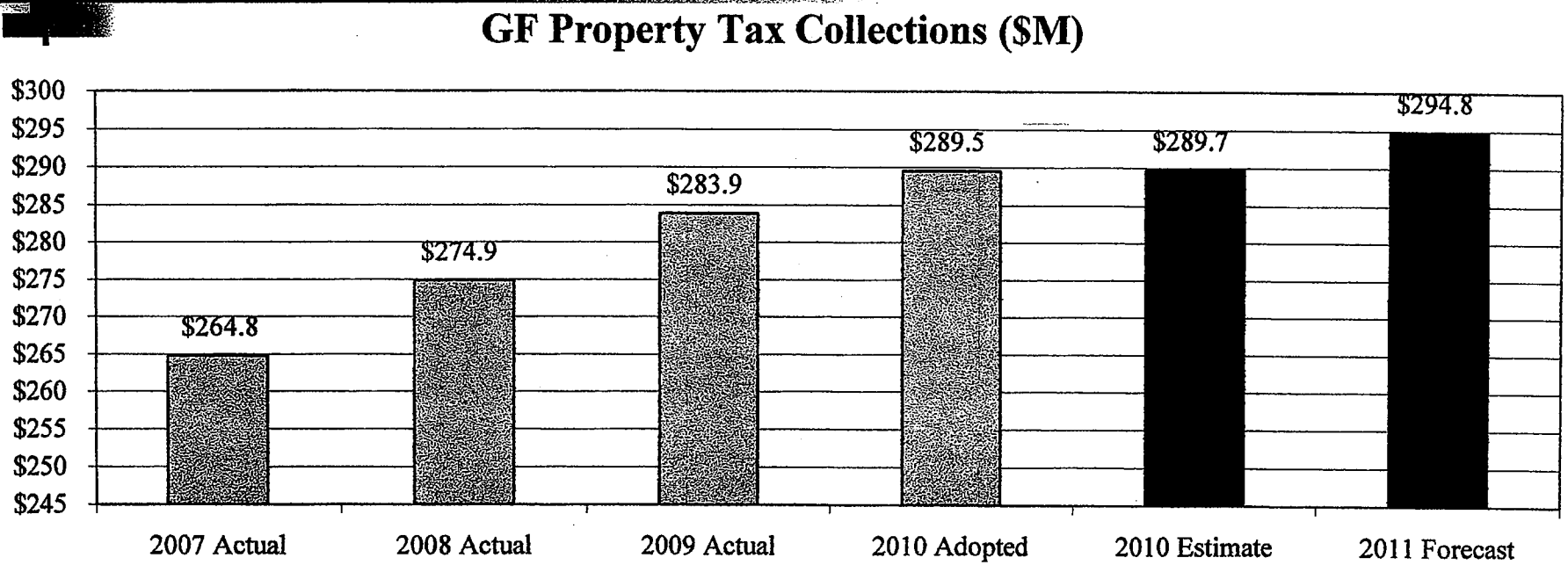
- 2010 adopted revenues are $5 million less than adopted expenditures.
- 57% of the General Fund revenue is sales or property tax collections.
- Property tax collections are capped at 1% a year plus new construction.
- Sales tax revenue is dependent on local economic activity.

Forecast Council Outlook – Sales Tax



- Sales tax collections have decreased the last two years, but a modest increase is projected for 2010 as the economy begins to recover.
- Future annexations will continue to erode the sales tax base
- Actual 2009 collections and the updated estimate for 2010 are both lower than expected when the 2010 budget was adopted.
- 2011 collections will likely be below 2007 levels.
- These are preliminary planning figures and will be officially updated in July.
- These figures are estimates and represent a confidence level of 65%. The Forecast Council will meet on April 2nd to adopt planning revenue numbers and these estimates could change.

Forecast Council Outlook – Property Tax



- Property tax collections continue to steadily increase by 1% plus new construction.
- However, in 2011 countywide Assessed Value is expected to decline by 8.5% and new construction is projected to decline by 47.3% from 2010 levels.
- While the residential sector has somewhat stabilized, the commercial real estate market in King County is facing tough times. The Office of Economic and Financial Analysis report noted the following statistics from the Seattle commercial real estate market.
  - The King County Assessor estimated 8.2 million square feet of unoccupied office space at the end of 2009
  - 10 Class A buildings were unoccupied
- These are preliminary planning figures and will be officially updated in July.
- These figures are estimates and represent a confidence level of 65%. The Forecast Council will meet on April 2nd to adopt planning revenue numbers and these estimates could change.

General Fund Outlook

- The General Fund will remain under pressure in 2011 and beyond until the county succeeds in bringing revenue and expenditure growth into equilibrium.
  - General Fund addressed deficits of $93 million in 2009 and $56.4 million in 2010 and faces an estimated $60 million deficit in 2011; with deficits each year for the foreseeable future.
- As noted earlier, the 2010 Adopted Budget expenditures exceeded revenues. This gap may widen due to lower 2010 revenue projections and supplemental expenditures.
- The long-term health of the General Fund is dependent on the collaboration of all King County elected officials and a shared vision of the future.