



Snohomish County

County Executive's Office

Aaron Reardon

County Executive

M/S #407

3000 Rockefeller Avenue

Everett, WA 98201

(425) 388-3460

FAX (425) 388-3434

county.executive@co.snohomish.wa.us

www.co.snohomish.wa.us

Tuesday, July 1, 2004

Reardon calls for financial plan to get Snohomish County “back on track and in the black”

--

*County Executive sends Snohomish County Council package
stabilizing depleted reserves*

Snohomish County Executive Aaron Reardon today released a five-year financial forecast that shows the County falling deeply in the red – nearly \$40 million by 2009 – unless action is taken to balance the 2005 budget and stabilize budgeting over the long-term.

“As the County Executive who inherited these challenges, I am taking action to change this direction,” Reardon said. “We will be upfront with our citizens and our employees about our current financial situation. We will demonstrate strong, effective and strategic leadership and take the necessary measures immediately.

“We will get the County back on track and in the black.”

Reardon acknowledged that in order to control expenses in 2005, reductions in County staff may be necessary.

Reardon said he asked financial officials to review the County's five-year financial forecast based upon the 2004 budget – which was approved last November by the County Council (*see attached memorandum and financial review*). Based on the updated analysis the County cannot maintain the fiscal course charted in 2003. If the situation is not corrected by 2005, the County will be in a deficit spiral that increases with each passing year, reaching nearly \$40 million in 2009.

The County Executive said the County must take two immediate steps to correct its budget problems in the short term. Expenditures in the upcoming 2005 budget must be limited to 2005 revenues. In addition, a system of budgeting must be created that includes Priority-based budgeting and a savings plan to protect the County from similar situations in the future.

Reardon said he is asking the County Council to join with him in creating two new reserve accounts:

- A Minimum Liquidity Reserve of 8.5 percent; and,
- A Rainy Day Contingency Reserve that would total 6 percent of the budget when it is fully funded in 2008.

The combined total of the reserves would be 14.5 percent of the prior year's revenue, and the savings accounts could only be spent by the County Council on a vote of four to one or greater.

"This week, I sent the Snohomish County Council an ordinance that establishes two new General Fund reserves – a Minimum Liquidity Reserve and a Rainy Day Contingency Reserve," Reardon said.

"I have established a target date of 2008 to fully fund both of these reserves. This is a fiscally prudent policy that will significantly increase the financial stability of Snohomish County."

Reardon pointed out that the County's bond rating was lowered last October. The County Executive said that if the decline continues, it would affect the County's ability to finance the construction of parks, roads and other essential public facilities. He said he was confident that bond-rating agencies would look favorably on his administration's proposals.

Reardon stressed that the budget restructuring process that the County has been involved with since January is also an important part of stabilizing future spending plans. Priority-based budgeting offers a top-to-bottom review of everything County government does. It starts by focusing not on last year's spending but on results that citizens want from government.

"Business as usual is not an option in Snohomish County and delaying difficult decisions is not acceptable," Reardon said. "We are bringing business principles to County government by changing the way we manage taxpayers' money. The upcoming challenges will be difficult, but these solutions will put us on the right track for 2005 - and create a solid fiscal foundation for our future."

##

For additional information please contact:

Mark Funk
Executive Management Analyst
Snohomish County
(425) 388-3623
mark.funk@co.snohomish.wa.us