



Snohomish County
County Executive's Office

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Reardon to ask: What is the price of Snohomish County government?

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*As first 100 days of administration come to an end,
answer will help shape direction of critical budget decisions*

What is the price Snohomish County citizens pay for County government services?

That's a question that Snohomish County Executive Aaron Reardon will pose in a major address before the South Snohomish Chamber of Commerce in Lynnwood Wednesday, April 7. The noontime speech comes near the end of the Executive's first 100 days in office. How much Snohomish County citizens are paying is helping inform his effort to close a worst case \$16.6 million deficit in his no-new-taxes 2005 budget.

The speech will take place at the Embassy Suites Lynnwood, 20610 44th Ave. W.

"My administration has been laying the groundwork for changing in the way Snohomish County writes its budget since I took office," Reardon said. "One of the most important factors we are assessing is, how much are citizens paying for government today? How much have they paid? People are constantly looking at the relationship between value and price as they judge their governments.

Reardon said, "It is crystal clear that Snohomish County government can no longer do business as usual."

Reardon will give updates on three of his new administration's most important initiatives, including:

- A priority-based budgeting process that goes beyond a similar exercise undertaken last year by the State of Washington, which closed a \$2.4 billion deficit without resorting to a tax increase.
- The pending launch of *SnoStat*, an on-line accountability tool that uses information technology to allow citizens to track whether County government is meeting its benchmarks; and,

- The Citizens Cabinet, a group of 19 local leaders who are writing an economic business plan for the County.

Over the past decade, the percentage of personal income earned by Snohomish County's 630,000 citizens that goes to pay for County services has remained very consistent. But when the County's economy sagged and unemployment shot above 8 percent in mid-2003, growth in personal income slowed, too.

Why tough budget decisions are being made

The slowdown in personal income growth has hit County revenues at the same time that the County is opening a new jail. The new facility will be paid for out of existing revenues after voters rejected two proposed tax packages to fund its operation.

It is the need to write a 2005 budget that reflects those realities – but still allows for the efficient delivery of County services and takes into account citizens' spending priorities - that has dominated Reardon's first 100 days in office.

“Over the past few weeks, as we go about fundamentally changing the way the County writes its 2005 budget, we have been asking ourselves this question: If we *didn't* do business differently, what would the ‘budget baseline’ for our 2005 budget look like,” Reardon said.

That baseline, say Snohomish County financial analysts (*see attached memorandum*), is covered by red ink.

In the worst-case scenario, the County will run a deficit of \$16.6 million in the 2005 if it brings the new jail into service but does not change levels of service, strategies for providing service and foregoes a tax increase.

According to Snohomish County financial analysts, the starting point for developing the budget baseline is the five-year projection included with the 2004 County budget:

- A \$7.1 million deficit is expected for 2005 and a \$3.9 million deficit for 2006.
- The 2004 adopted budget projection assumes that at the end of 2006, the County's General Fund surplus will be \$1.9 million.
- The Reardon administration will propose a “no new taxes” budget for 2005 and 2006. Adjusting the projection to include no property tax increases, financial analysts calculate a \$7.7 million deficit for 2005 and a \$5.2 million deficit for 2006.
- The expanded jail opens in March of 2005. If jail fees are not increased or if Snohomish County does not come up with a plan to limit use of the existing jail system, the County deficits will be larger – as much as \$6.8 million more per year in 2005 and an even larger impact in 2006.

- The 2004 adopted budget projection also assumes that, for 2005 and 2006, the County will increase administrative efficiency and reduce current administrative overhead. If that doesn't happen, the deficit would increase by \$2.1 million dollars by and an additional \$1.5 million in 2006.
- If the County General Fund continues current practices and taxes remain at current levels, the County General Fund 2005 deficit will be \$16.6 million.
- Under the same set of circumstances, the County General Fund has a \$15.9 million dollar deficit for 2006.
- Viewing this worst case 2005-2006 budget scenario in the context a biennial budget –like the State government uses – it would equate to a two-year budget deficit of \$33.3 million. The available fund balance of the County's General Fund at the start of 2005 is projected to be \$13.1 million.
- These assumptions do not reflect the impact of a 25% reduction in property taxes as proposed in a statewide initiative which would result in significantly greater deficits.

According to the March 22 memorandum from County financial analysts, "To the extent that the County were to continue current staffing, expand jail operations without compensating reductions, and not increase taxes, *this deficit is probable.*"

"The bottom line is that there is not a sufficient fund balance to absorb a worst-case 2005 – let alone a worst-case 2005-2006."

Going forward

Last month members of the Snohomish County Council, in a bi-partisan show of support, embraced Reardon's effort to create a priority-based budget for 2005. Snohomish County is the first local government in Washington state – and one of just a handful in the nation – to embark on a priority-based budget effort.

Reardon, Executive Office staff and the Financial Department's budget team have been working since January to set the stage for the County's priority-based budget effort.

Reardon's decision to bring priority-based budgeting to Snohomish County has been lauded by several groups. In addition to the Snohomish County Council, the Washington Roundtable, whose members include the state's largest home-based corporations; the Association of Washington Business; and the Washington Research Council have all endorsed Snohomish County's process.

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