



King County

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June 10, 2008

The Honorable Julia Patterson, Chair
Metropolitan King County Councilmembers
Metropolitan King County Council
Room 1200
COURTHOUSE

Dear Chair Patterson and Honorable Members of the King County Council:

I am writing in response to the press release Councilmember Larry Phillips sent last Thursday, June 5, 2008 about the projected 2009 budget deficit. The release followed a press conference by the Sheriff, Prosecutor and Presiding Judges of the District and Superior Courts outlining the 2009 financial challenges faced by the King County criminal justice system and my public response outlining the actions I am taking as Executive prior to transmitting my 2009 budget this October.

In the release, Mr. Phillips refers to my October 17, 2005 budget speech and not only takes my words out of context, he mischaracterizes my work to stabilize the budget and ignores my numerous warnings of a structural deficit that would materialize in 2008. Excerpting from his release:

“Rather than following through with strategies to stabilize costs and shore up revenues, the Executive declared in 2005 that the era of big budget deficits was over. That pronouncement has jeopardized public safety funding in King County.”

I take great exception to Mr. Phillips' statement that I have somehow jeopardized public safety funding which I have prioritized each year in my proposed budgets. His press release ignores the very next two sentences in the same speech that warn of the need for diligence. Later in the speech I say the structural deficit has not been permanently solved and highlight the need for annexations of urban unincorporated areas.

I am still proud of that budget, that speech and that statement. When I gave that speech in Council Chambers it was the first time since 1998 we had a three year financial plan with no projected deficits. And we had solved our budget crisis in such a fiscally sound manner that King County was awarded AAA credit ratings for the first time in our history. We have retained those ratings for 2006, 2007 and 2008. This success was the result of a strong partnership between the Executive and the County Council and we had every reason to be proud.

Mr. Phillips intentionally took that quote out of context. So simply to set the record straight, I feel it is important that all members of the County Council are reminded of what I said subsequent to that one line, and in budget speeches in the following two years. I am sharing key excerpts from the speeches below. However, I encourage any councilmember to read the speeches in their entirety on the county Web site.

The full context of the 'era of deficits is over' quote is as follows:

"My friends, the era of deficits is over!

To make sure that era never returns, we must remain vigilant and keep controlling our costs. We must reject the temptation to live beyond our means and this budget does just that."

My 2005 speech was accurate, because as I went on to say,

"...for the first time since 1998, the Current Expense financial plan shows no projected deficits."

But I was quite clear that the structural gap facing King County remained, stating:

"... the structural deficit has not been permanently solved..."

I added the following warnings:

"...But challenges remain. Nine major areas of urban King County still need to be annexed...If inflation continues to rise; it will threaten our long term financial stability.

Storm clouds loom over funding for our mental health system and further federal and state cutbacks face many programs."

I issued similar financial warnings in the next two budget speeches to the County Council. During my October 2006 speech for the 2007 budget I even addressed this specific topic, saying:

"Most of you remember that last year I said 'the era of deficits is over.' And it was. We had a balanced financial plan for 2006, 2007 and 2008.

But few remember what came next. So let me remind you. I said this:

'To make sure that era never returns we must remain vigilant and keep controlling our costs. We must reject the temptation to live beyond our means.'"

I also added:

“Unfortunately all of those storm clouds I talked about remain, and are moving closer. A potential general fund deficit looms for 2008 and beyond...” and “The problem is real.”

Finally, last October in my 2008 budget speech I identified the factors that have created our 2009 deficit, warning:

“...we are again in uncertain economic times. The credit crunch is rippling through the national housing market. We cannot – and must not – think we are immune.”

Once again I highlighted the structural budget challenges, particularly those related to annexations faced by King County. Under the section “GMA and Annexation Tools” I stated:

“We need that action as we face a fundamental challenge that threatens our very ability to deliver innovative, effective and efficient services to the residents of King County. We must find a way to annex the urban areas of King County to cities.”

and,

“In every budget speech in the last 3 years I have called out the need for annexation to help solve King County's financial dilemma. The gap between what urban areas generate in taxes and what they consume in services is roughly the same as the 25 million dollar CX deficit we will face in 2009.

Today, I ask members of the County Council, the Courts, the Sheriff, the Prosecutor, Assessor and others to join me in asking the Legislature to resolve this once and for all. Give us the tools so we can continue to provide vital regional services while embracing the land use policies of the Growth Management Act.

King County can no longer shoulder this growing burden without some help from Olympia.”

Budget Director Bob Cowan addressed the County Council on March 12, 2008 and explained the reasons we now face such a daunting fiscal crisis:

- A structural gap where revenues rise five percent each year while the costs of sheriff deputies, prosecutors, court clerks, corrections officers, nurses, public health and human services grow at seven percent. This structural gap is not just a problem for King County, but for all counties as highlighted by the December 2007 CTED report to the Legislature entitled “County Financial Health and Governance Alternatives”;

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- The need to serve 224,000 residents of unincorporated urban King County without the financial tools that cities have creating a 21 million dollar deficit;
- Financial markets in chaos that have cost us seven million dollars in lost interest earnings each year; and
- A wobbly economy and a slumping housing market dampening sales tax revenues and slowing property tax growth already capped at one percent.

Given Mr. Phillips' press release, I have asked Mr. Cowan to make a follow-up presentation to the County Council at your Committee of the Whole this month to provide an update on our financial status, highlight how both the County Council and the Executive have followed through *"with strategies to stabilize costs and shore up revenues"* and answer any questions councilmembers may have.

Finally, I am disappointed that this letter is even necessary. The Sheriff, the Prosecutor and the Judges did not politicize this problem or point fingers when describing the criminal justice impacts of the cuts faced by King County. Neither did I. In fact, in my remarks I said:

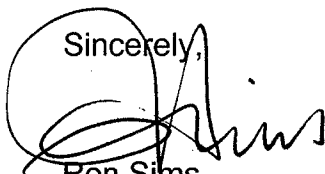
"Solving this budget crisis must be a collaborative process...It must be bi-partisan, and must place the public health and safety of our residents above politics."

For your convenience I am also attaching a copy of my full remarks from last Thursday.

It is unfortunate that Mr. Phillips has chosen to make the 2009 budget challenge a political issue as the problem was created by reality, not rhetoric. It can only be solved by creativity and collaboration, not competition and conflict.

It is my fervent hope that *all* members of the King County Council will pledge to join me in solving the 2009 budget crisis in the spirit of collaboration that has been the hallmark of King County for the past several years. The public health and safety of our residents deserves no less.

Sincerely,



Ron Sims
King County Executive

Enclosure

cc: Ross Baker, Chief of Staff, Metropolitan King County Council (MKCC)
Saroja Reddy, Policy Staff Director, MKCC
Kurt Triplett, Chief of Staff, Office of the King County Executive
Bob Cowan, Director, Office of Management and Budget



King County Executive, Ron Sims

King County Executive

June 5, 2008

King County must tighten belt, innovate and reduce costs, then seek solutions in Olympia

Budget deficit press conference

Thurs., June 5, 2008

Executive Sims talking points

You have just heard sobering details of what the county's structural budget crisis could mean to the criminal justice system. I want to thank Superior Court Presiding Judge Bruce Hilyer, District Court Presiding Judge Barbara Linde Sheriff Sue Rahr and King County Prosecutor Dan Satterberg for their thoughtful evaluation of the potential impacts our financial challenges have on public safety and for keeping us informed as they provide this information to the public. Their White Paper "Public Safety in Peril" is a must read for every legislator in Olympia, every city councilmember and mayor and all residents of King County. It explains in stark detail how critical King County is to the safety and well-being of the region.

I especially want to thank Prosecutor Satterberg for his leadership in seeing the criminal justice process as a system and creating this document. Dan has continued the impressive legacy of Norm Maleng to provide wise counsel, non-partisan advice and leadership in identifying problems and finding solutions.

You now know what a \$33 million cut in our criminal justice system potentially looks like. Thefts not investigated, drug cases not prosecuted, crowded courts, longer waits for domestic violence protection orders and civil court trials, and eliminating programs that have been successful in getting offenders transitioned back into the community.

But the face of this countywide budget crisis extends beyond cops, courts, prosecutors and jails. It is also our children, our frail and elderly, our citizens who are most at risk for HIV, tuberculosis, and abuse, and those who need and use our public health clinics. Our safety net, including Public Health and Community and Human Services is also facing over 20 million dollars in funding cuts combined. This is not just the result of the county's budget crisis, but also a result of reduced funding from the Federal and State governments for these services.

The downturn in the national and local economy, combined with state limits on how counties can pay for services have combined to create an unprecedented budget crisis of proportions not seen before.

This single biggest contributor to our budget challenge remains providing local services to King County's potential annexation areas. 224,000 residents live in urban unincorporated King County making it the equivalent of the second largest city but we do not have city revenue tools to provide the services. These areas cost King County 21 million dollars more than they generate.

Completing annexations will help, but even if they all occurred this year, King County will still face 40 million dollars more in cuts.

And that is because King County has a fundamental financial challenge. As I have said time and time again, this financial crisis is created by a structural gap that all counties face between limited revenues and growing expenditures. Because of the structural gap this funding crisis will not go away. Even when we solve our 68 million dollar challenge, we will face 30 million dollars in cuts in 2010, 25 million more in 2011 and 25 million more in 2012.

And we are not alone. Counties across the state are in trouble and have been for years. State and federal mandates to counties are so great, costs are rising so quickly and the funding sources are so limited that the legislature was concerned that disparities are being created across the state for equal access to basic services.

The legislature commissioned CTED to evaluate the state of counties in Washington. In December of 2007 CTED reported to the legislature in 2008 that help was needed. One key finding was "All counties, charter and non-charter, are fiscally distressed." It is a matter of degree. The CTED report identifies a menu of options, large and small that the legislature might take to ensure long term financial stability for counties.

You have heard the problem statement. Today I want to outline the beginning of the solution statement.

This problem will not be solved by one 68 million dollar action. It will be solved by 68 thoughtful one million dollar actions.

Over the past few months I have briefed Governor Gregoire, and legislative leaders. They understand what is at risk and share the concern for the budget impacts on public safety and public health. They are open to discussing solutions that will solve the budget challenges for King and all counties in Washington State.

But before we can find any solution in Olympia, as King County Executive I must first propose a balanced budget this October. And for any solution to be successful in Olympia we must once again demonstrate to the legislature and to the public that we have done all we can to prioritize programs, innovate, find efficiencies and reduce costs.

We did much of that starting in 2002, when King County began a four year effort that successfully dealt with a \$137 million deficit in such a fiscally responsible way that we also earned our first ever AAA credit rating in 2005.

- We consolidated 14 departments into 7 and drastically cut overhead.
- Enacted recommendations of a Parks Task Force resulting in voters overwhelmingly

approving a property tax levy for parks, relieving \$17 million from the general fund while keeping every park and pool open.

- Began collecting \$7 million in annual rent from Cedar Hills for the general fund which has helped support public health and social services.
- Shifted \$40 million in criminal justice costs out of the general fund through reductions or new revenues.
- Lowered salary costs by \$5.1 million through negotiations with labor unions.
- Lowered benefits costs by \$8.4 million through renegotiations.
- Achieved \$5.6 million in retirement savings through lower rates from state retirement plans.
- Saved \$4.5 million by restructuring debt and Capital Improvement Projects.
- Closed the North Rehabilitation Facility, saving \$2.3 million.
- Eliminated the Office of Cultural Resources saving \$1.1 million, through creation of 4Culture, a Public Development Authority.

So we approach this 2009 deficit with a budget that is already lean.

And while my staff will be developing options to propose to Olympia in 2009, we will be working even harder on the tough choices we must take between now and the fall when I transmit my budget to the council.

Solving this problem is my top priority. It is the top priority of my budget office and my government. My departments and the incredibly imaginative and talented employees of King County are generating creative new ideas for innovation and efficiencies that will be part of my October budget proposal:

Let me give you one stellar example of how we are succeeding. The Department of Juvenile and Adult Detention was initially allocated an 8.9 million dollar reduction. Through extraordinary work and ingenuity that have found ways to achieve that target without eliminating any corrections officers. First they identified their key cost drivers. Then they choose guiding principles such as the need to maintain adequate staff and a safe, secure environment, maximizing revenues and identifying efficiencies in the entire criminal justice system.

As a result they have identified over 3.7 million dollars in additional revenue by renting 200 adult beds to the State Department of Corrections and found 5.2 million dollars in reductions. The net result will be layoffs totaling 5 employees that will be offset by adding 26 positions for the increased Department of Corrections inmates.

Further savings and efficiencies may occur regionally as we have formed working partnerships with the cities and have advocated for and supported an integrated, regional approach to jail services. Over the next few months the King County will meet with the cities regularly to partner on planning efforts and on operational efficiencies. King County is poised to consider options for regional jail capacity, as the cities are considering their own options.

King County continues to be committed to a regional jail system and has remained willing to partner with cities on jail capacity.

We will continue to strongly advocate our Annexation Initiative that we announced in

the fall of 2003. Since that announcement we have had 6 elections, 4 of which have been successful. We have moved over 35,000 residents from King County into the cities of Auburn, Issaquah and Renton. But we must achieve the annexation of the remaining areas, and that will be a key focus for us this summer and fall. We will also begin evaluation of future options to make these areas more economically viable if annexations do not occur.

I am canceling or deferring non-urgent capital projects paid for by the general fund. That includes work on the planned new County Administration Building and the council's work on the south entrance of the County Courthouse.

Projects like Brightwater are not affected. It is urgently needed and funded by the sewer rates rather than the general fund.

I have held all supplemental budget requests and have asked all Executive departments to absorb these costs instead. I will only forward appropriations that are legally required or that are driven by federal or state mandates.

Over the summer we will be reaching out to every stakeholder that relies on the King County budget to serve our residents. We will meet with human services advocates, community service groups, health organizations, the bar association, trial lawyers, parks and recreation users, business and environmental groups, neighborhood groups and the cities of King County.

One of our most important partners, organized labor, has worked with us in the past and is already actively involved in discussions about solutions for key cost drivers such as health care and pharmaceutical costs.

Our goal is to educate each of these stakeholders on the fundamental funding problem, ask for their ideas as well as for their help in Olympia.

We will also reach out across the state. Already the Washington State Association of Counties has convened a "County Fiscal Health Committee" to develop options for 2009 because all of Washington State's counties are hurting. We are a key participant in that process. In partnership with King County's criminal justice leadership, we intend to work with the statewide associations such as the Washington State Association of Prosecuting Attorneys, the Washington State Association of Sheriffs and Police Chiefs, the Washington State District and Municipal Court Judges Association, the Washington State Superior Court Judges Association and the Washington State Association of County Officials to find solutions that help all of us.

Details on this public outreach will be coming soon.

Solving this budget crisis must be a collaborative process with our community partners, our department managers and employees, the unions that represent our employees, and the people of this county. It must be bi-partisan, and must place the public health and safety of our residents above politics.

We are all in this together. And I know that together, we will weather this storm and once again, we will solve this problem.

Thank you.

Related information

- [State of Washington Department of Community, Trade and Economic Development study: county financial health](#)
- [2009 Target budget reductions \(pdf\)](#)
- [2002-2205 Reduction list \(pdf\)](#)
- [Potential Annexation Areas Map \(pdf\)](#)
- [Potential Annexation Areas budget spreadsheet \(pdf\)](#)

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