




**Department of Administrative Services
Kitsap County**

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Shawn A. Gabriel
Director

MEMORANDUM

TO: All Elected Officials and Department Heads

FROM: Shawn Gabriel, Director of Administrative Services 

SUBJECT: Notice to File 2010 Annual Budget

DATE: July 13, 2009

This is the official notice for all departments and elected offices of Kitsap County to file their budget requests for the 2010 annual budget. **The Department of Administrative Services (DAS) must receive all revenue estimates and expenditure requests by close of business on August 10, 2009** – on forms provided electronically by Administrative Services and with full justifications. All forms, worksheets and instructions can be accessed from the County's network by designated personnel (L:\2010 Budget Workbooks).

We enter the 2010 budget process faced with severe financial challenges, as Kitsap County and the nation are in an unprecedented recession. This dramatically changes our fiscal landscape and assurances of financial solvency for current and future fiscal years.

Already confronted with the structural dilemma of a 1% limit on existing property tax revenue, the County also faces decreased sales tax receipts and loss of revenue from recent annexations. At the same time, we must address immediate expenditure constraints, such as the rising costs of health care and other personnel-related responsibilities. In addition, the newly acquired debt obligation associated with the Kitsap County Consolidated Housing Authority poses a long-term expenditure item. Although the Board of County Commissioners has crafted an agreement that restructures and defers the \$40 million debt payment and deadlines, we do need to proactively create measures to pay the remaining debt before the note matures in 2013. We also need to restore our reserves because they have dropped perilously low in recent years. These conditions create a daunting budget picture.

Together, we adopted a 2009 budget that implemented drastic reductions in our workforce and instituted a hiring freeze for the first quarter of the fiscal year. These measures, along with the use of reserves, balanced our general fund within projections. However, the economic recession continued, causing a precipitous drop in retail sales tax revenue, new construction and permit-related activity in the prior fiscal year. As a result, the 2009 budget was amended to reflect a projected \$3 million revenue shortfall – which meant expenditure reductions within the General Fund Budget as well as adjustments within the Department of Community Development Special Revenue Fund Budget.

Our five-year financial forecast indicates that Kitsap County cannot sustain even minimal growth without reducing expenditures or the General Fund Balance. Living within our

means requires reductions to ensure that our 2010 expenditures will not exceed the 2010 estimated revenue of \$86.2 million. The fund balance is insufficient to contemplate the use of reserves for the 2010 budget. Therefore, we are requesting all 2010 expenditure budget submissions are held at your respective 2009 adjusted expense level (post 2nd quarter budget amendment). In other words, live within your 2009 expenditure allocations. That means any increase in employee costs, including step increases and medical benefit costs, will need to be off-set with cuts elsewhere in your office/department's budget. Please be advised that any expenses associated with one-time only revenues should be isolated for consideration by the Board of County Commissioners.

Important Budget Items:

- General Fund personnel costs are calculated at 97%. If a cost center maintains a staffing level higher than 97%, we commit to providing the funding necessary to carry that staffing level up to 100%.
- Preliminary budgets have been established for the internal service funds and are pre-loaded. Since we are recommending a "no growth budget", internal service funds have been tasked to comply with this budget direction or undertake measures that substantially reduce 2010 charges to departments and elected offices.
- Given our financial constraints, we do not anticipate moving forward with any personnel reclassifications or capital purchases. The only exceptions would be departmental re-organizations that result in cost-savings or grant appropriations that cover costs.
- To facilitate the Board of County Commissioners review and consideration of request for staffing and budget authorization involving new position(s) or the reclassification of existing position(s), employing officials are required to complete and submit a *Reclassification Request or New Position Request Form*. This form will be an additional attachment with the budget workbooks.
- Indirect cost allocations, if applicable to your operation, are also preloaded. More detailed instructions will follow with worksheets.

Please be advised that any expenditure increase must be accounted for within your total budgeted expenses. Therefore, reductions must be absorbed elsewhere to maintain current expenditure levels. The impact will theoretically equate to a budget reduction for departments and elected offices on average of 2% to 3%.

As part of the 2010 budget process, we respectfully request that you submit your 2010 Program Budgets to the Department of Administrative Services Budget Office no later than the close of business on Friday, August 28, 2009. This is primarily an update to last year's budget book submittals that identified segments of your respective operations as "programs" with associated revenues, expenses, staffing levels and performance measures.

The Budget Office will assist departments as much as possible. Please direct any questions, comments or concerns to the Budget Staff below:

Lisa Fryer, ext. 4314
Stephanie Pinard, ext. 4289