



KITSAP COUNTY BOARD OF COMMISSIONERS

Chris Endresen
DISTRICT 1

March 1, 2003

Jan Angel
DISTRICT 2

Fellow Commissioners, County Elected Officials,
County Employees, Citizens, and
Members of the Press

Patty Lent
DISTRICT 3

The mission and vision statements for Kitsap County government stress our commitment to the health, safety and welfare of citizens, to efficient and accessible government services, and support a future that includes a thriving economy balanced with protection of our natural resources and quality of life. I am pleased to present the 2003-2004 budget, which serves as the primary source of countywide policy direction and reinforces these commitments.

This budget marks two historic firsts for Kitsap County; the first all-female elected county commission in Washington State history and the County's first biennial budget. These firsts generate a sense of renewed pride and interest in generating more efficient and effective government services. At the same time, it is a difficult period as recession continues and the County needed to trim its staff.

Preparing the budget takes the time and cooperation of most every employee in Kitsap County and its development spans a period of more than six months. The Board believes that by implementing a two-year budget some of the resources formerly dedicated to budget planning can be redirected to serving the direct needs of the county.

Local government finance has incurred a number of challenges over the past several years. The passage of citizen initiatives I-695 and I-747 requires us to anticipate, reduce and adjust spending each year to compensate for rising inflation. The implementation of I-695 in 2001 continues to reduce available revenue for law and justice at the same time the cost for these services is growing to consume the largest piece of our overall general fund budget.

While inflation is likely to increase the cost of existing programs by 3 percent annually (about \$19 million over the next five years), Initiative 747 restricts county property tax revenues to a 1 percent increase a year (about \$6.3 million over the next five years)—\$12.7 million less than the likely rate of inflation. Our challenge in the years to come will be to continue to provide the quality public services county citizens expect within these constraints. It was apparent during this two-year period that the County needed to realign its expenditures to match existing revenues.

Over the years, the State legislature has passed legislation requiring counties to perform certain functions without or with insufficient, revenue to perform those duties and still maintain existing services. These legislative changes are called "unfunded mandates." Some examples of these more than 30 specific mandated programs forced on counties without funding to administer include: providing legal defense for indigent persons, which cost the County approximately \$3 million in FY 2002 and continues to grow; conducting hearings for involuntarily committed mental patients; implementing a detailed storm water management program; and conducting sex offender pre-sentence investigations.

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Holly Anderson, Clerk of the Board



The County is committed to assuring that the State accepts its share of local service costs. In this vein, Kitsap County filed a claim in January with the State for reimbursement of \$2.6 million for 2002 costs incurred for unfunded mandates. Although claims such as this one were not paid by the State in the past—we want this claim to remind the State that it is irresponsible to require programs of local government without necessary funding. We also petitioned the State for reimbursement of \$737,414 in extraordinary costs associated with aggravated murder cases.

The total budget for the biennium is \$742,761,185. Of the total budget, \$93.2 million, or 12.6% comes from property tax, \$43.1 million, or 5.8% comes from sales tax, and the balance comes from user fees, State and Federal grants, licenses and permits, reserves, and interest. Seventy nine percent of the total budget, or \$585 million, consists of restricted funds, public works projects, and state and federal pass through funds for programs such as Mental Health, Substance Abuse, Area Agency on Aging, Community Development Block Grant and HOME, Developmental Disabilities, and the Workforce Investment Act program.

Most attention is focused on the portion of the budget known as the “General Fund budget”, because this is where most of the day-to-day operations of the County are reported. The largest area of expense in the general fund is for law and justice services. Over 61% of the general fund is devoted to these services, followed by 24% for general government, and 15% for community service.

At this writing, Washington State is experiencing one of the highest rates of unemployment in the United States. However, because of our strong and historic tie to the State’s second largest employer, Kitsap County’s rate of unemployment is less than elsewhere in Washington. Our many U.S. Department of Defense facilities here provide greater economic stability than adjacent counties. This activity helps to moderate the effects of the current economic situation. As Kitsap County strives to diversify the local economy, we are fortunate to have a major employer such as the Navy doing business here and will continue to support efforts to assist the navy in meeting their mission. Along these lines, Kitsap County will lead the community this year in anticipation of the next round of federal base realignment through a committee structured to demonstrate to the navy our interest in continued support for their work here. Additionally, our Board is committed to a primary focus on economic development and bringing more living wage jobs to Kitsap County.

Balancing a budget is always a challenge and this year was no exception. The options for County government are limited as revenues are reduced or capped, unfunded mandates continue and the economy is slow to respond to recovery. We must generate more revenue through economic activity and ensure all expenditures are limited to efficient and effective services desired by the residents of Kitsap County. On behalf of the Board of Commissioners, I want to thank the elected officials, department directors and all staff members for their assistance in preparing this plan and give special thanks to the County Administrator Malcolm Fleming and the Department of Administrative Services Director Ilene Frisch and her staff for providing volumes of research and resourceful solutions, often working evenings and weekends to do so.

Kitsap County government employees are committed to providing economical and quality public services to the 234,000 residents of our county. The budget for 2003-2004 required difficult choices of all of us. Programs were cut, many positions eliminated,

“extra help” employment was significantly reduced and areas were re-engineered to balance expenses with expected revenues over the next six years. These difficult choices led to a reduction of nearly \$5 million in county expenses. I am grateful for the professionalism and dedication of the County’s elected officials, department directors, and staff members, who have helped us mold a responsible budget that I hope you will agree responds to the many and varied expressed needs of our collective community.

Sincerely,

A handwritten signature in cursive script that reads "Jan Angel". The signature is written in black ink and is positioned above the typed name and title.

Jan Angel, Chair, 2003
Board of County Commissioners

General Fund Budget Overview

In summary, the General Fund biennial budget totals \$151.7 million. This assumes revenue of \$145.1 million, a fund balance carryover from 2002 of \$6.6 million, spending authority of \$145.3 million, and an ending fund balance of \$6.4 million. Including the \$2 million in the Cumulative Reserve Fund results in a total ending fund balance of \$8.4 million. This represents 11.6% of projected 2004 expenditures and is consistent with our goal to maintain a total fund balance of at least 7.5% of projected annual expenditures.

Law and Justice Program (\$88.9 million)

Law and Justice activities receive the largest share of the County's budget and include a broad range of programs, including the Sheriff's Office and the County Jail. As a result of a significant increase in drug related crimes, it is common to have more than 275 inmates confined in the Jail even though it was designed as a 200-bed facility. To address this problem, the County proposed and in November 1999, the voters of Kitsap County approved a 1/10 of 1% sales tax to build an addition to the Jail and provide additional funding for the operations of both the Jail and the Juvenile Services Center. Immediately after that vote, we embarked on a Jail expansion project to add 312 beds to the 200 that currently exist. We are pleased the new jail will be completed and open in June 2003.

More than doubling the size of the existing Jail will increase significantly the cost of operating the facility. The 2002 budget added 28 new corrections officers at a cost of \$883,848. These were phased in over the months of April through October 2002 month. This early hiring allowed time for the new officers to engage in mandatory training so that they were able to take on full duties in the Jail as quickly as possible.

Among the ways we are improving our efficiency is by partnering with other local governments. The Prosecuting Attorney's Office has led this effort by providing prosecutorial services to the cities for their municipal courts. The Information Services division provides computer and telephone service to a number of entities.

Drug related crimes, particularly those involving methamphetamine, have risen steadily across Washington State in the last decade. To help combat this growing problem, the County has created a specialized Drug Prosecution Team to compliment the work of our nationally acclaimed Drug Court and law enforcement. This agency works synergistically with County's multi-agency Drug Interdiction Task Force to determine high priority needs. Not only does the production and use of meth strain our justice system, but puts an enormous strain on the medical care system. One need identified first several years ago is the countywide triage center. This special facility underway with the collaborative efforts of Harrison Hospital and the County Human Services division will evaluate and manage care for those addicted to methamphetamine. The opening of a triage will not only assist those in fighting their addiction, but will ease the demand on the entire medical community. To educate the community on what is being done locally to fight this problem, a grant from the State Meth Action Team is funding a 2003 public education campaign to help people understand what they can do and what we are doing on your behalf to put this problem behind us.

General Government and Community Services Programs (\$56.4 million)

This area was the hardest hit – it suffered the largest budget cuts in the County.

The Facilities Maintenance Division was moved from the Department of Administrative Services to Parks & Recreation to better coordinate services and lower costs. The County Print Shop was eliminated to streamline County services, and positions such as Budget Analyst, Internal Auditor and Technical Services Manager were not funded to further reduce County costs.

Technology Initiatives

The Land Information System (LIS) and technology initiatives are not funded at prior year levels. LIS Phase I and II are almost complete and the system is a big success causing many efficiencies in the Treasurer, Assessor, and Community Development departments.

Public Works Overview

The Public Works Department operates four major programs: the County Road Program, the Surface and Storm Water Management Program (SSWM), the Sewer Utility, and the Solid Waste Program. The total annual budget for the Public Works Department for the biennium is \$201 million. The operational budget is \$157.3 million, the capital budget is \$33.9million and the annual debt service budget, primarily associated with the Sewer Utility capital program, is \$9.8 million.

County Road and Road Construction Funds (\$73 million)

The County Road Program operational budget totals \$50.7 million. The major sources of revenue are property and gas taxes. The property tax levy increase is limited to 1%, in accordance with Initiative 747. Through the biennium, the levy will generate total taxes of approximately \$39.9 million dollars with \$4.8 million diverted to the General Fund. This diversion, permitted under State law, helps to pay for traffic policing on County roads. The budget includes \$17.6 million for road maintenance, \$6.3 million for traffic operations, \$6.2 million for engineering services, \$8 million for administration and support services, and \$12.6 million for construction and other expenses.

The biennial budget for the Road Construction Fund is \$22.3 million. Funding sources include \$1.8 million in federal funds, \$7.3 million in state revenue, and \$13.2 million in local funds. The local funds include the \$11.9 million cash transfer from the operating budget, and \$1.3 million in impact fees.

Solid Waste Program (\$7.3 million)

The Solid Waste Program budget for the biennium is \$3.3 million. The budget includes \$2.6 million for administration, education and program development, \$1.2 million for drop box operations, \$1.4 million for recycling programs, \$1.9 million for operation of the Moderate Risk Waste (MRW) facility, and \$.4 million for landfill monitoring.

Transfer Station Operations (\$27.5 million)

This program includes oversight, administration and the operation of the regional solid waste transfer station. The budget includes payment a contractor to operate the facility and transport and dispose of the waste, the cost of County staff for oversight and administration, miscellaneous equipment, services, and B&O and refuse collection taxes. The cost of this program will be entirely offset by revenue from solid waste fees.

Sewer Utility (\$20.8 million)

The Sewer Utility operating budget for the biennium is \$20.8 million. Of this amount, \$8.8 million will fund operations and maintenance, \$2.9 million collections, \$.9 million engineering, and \$8.2 million administration which includes taxes, and transfers for capital projects

Sewer Utility Capital Improvement Fund (\$37.6 million)

The biennial capital budget for the sewer utility is \$37.6 million. The budget includes \$24.1 million for the Kingston treatment plant, outfall and main extensions, and \$10 million for improvements to the Central Kitsap treatment plant

Surface and Storm Water Utility (\$11.5 million)

The Surface and Storm Water Management (SSWM) Program is funded by user fees and includes a fee levied against the County road system. The operational budget includes:

- \$3.8 million for the Public Works department for storm water operations and maintenance;
- \$151,020 for program planning and education;
- \$1.6 million for the Bremerton-Kitsap County Health District for septic monitoring and water quality programs;
- \$2.5 million for administration including taxes
- And, a \$1.8 million cash allocation for capital funding, basin planning, and debt service on the new maintenance facility.

.Surface and Storm Water Capital Fund (\$4.3 million)

This budget includes \$535,000 funds for regional storm system and capital project planning, and for storm water system improvements and fish passage projects.

Capital Budget**Jail Construction (\$15.6 million)**

Started in 1999 with selection of the design team, the jail addition will add 312 beds to the County Jail. The current Jail and Work Release facilities have 200 beds combined. The project, estimated to cost \$28.5 million, is being financed by the issuance of long term bonds. Debt service on the \$20 million bonds issued in the year 2000 and the \$7.5 million to be issued in 2003 will come from the 1/10 of 1% Jail and Juvenile Sales Tax approved by voters in 1999. The project is expected to be completed by June 2003.

Surface and Stormwater Management Program Facility Construction (\$8.5 million)

The County is building a Public Works Annex at the Port of Bremerton Industrial Park. This new facility, which is expected to cost \$7.1 million, will house the maintenance and operations divisions of the Surface and Stormwater Management Program as well as other transportation-related operations of the Public Works Department. Design work on the facility started in late 2001. Construction is expected to be completed by winter of 2004. The project is financed by long term bonds, \$4.57 million were issued in 2001 and another \$2.5 million are expected to be issued in 2003. Amounts necessary for debt service will be provided from transportation taxes and utility rate revenues in future years.

Central Communications Facility Construction (\$14.9 million)

This project will replace the aging and seismically inadequate Dispatch Center and Emergency Management Operations Center in Bremerton with a new facility to be located at the Kitsap County Emergency Services Readiness Center. The project is expected to cost \$10.8 million. These costs are being debt financed over five years through an increase in County property taxes of up to 16 cents per \$1,000 of value that was authorized by the voters in November 1999. Design work on the new facility started in early 2002, with completion of the facility expected in 2004.

Special Events Center (\$13.9 million)

The Special Events Center includes the current Kitsap County Fairgrounds and ball fields complex. This project will include enhancements to the Pavilion, improvements to the youth soccer/softball complex, upgrades to the community baseball field, development of event camping facilities, paved parking facilities, enhanced pedestrian circulation and general site improvements. Financing for this project is provided by a grant from the Kitsap County Public Facilities District.

Administration Building and Courthouse Renovation (\$25.8 million)

This project includes the design and construction of a new building to be located across the street from the existing Courthouse. When this building is completed, it will house the offices of the County's administrative functions including Commissioners, Auditor, Assessor, Treasurer, Community Development and Administrative Services. Upon completion of the Administration Building, the Courthouse will be renovated for use by the County's law and justice departments including Superior Court, District Court, Clerk, Prosecuting Attorney and Sheriff. Financing for this project will be provided by bonds which are expected to be issued in 2003. The required debt service in future years will be paid from the County's Real Estate Excise Tax Fund.

Overview of Other Major Funds

Central Communications (911) Operations Fund and 911 Enhancement Fund (\$5.8 million)

The County will contribute \$2.2 million to CenCom for 2003-2004. The balance of operations costs will be funded by contributions from the other member agencies (the city police and fire departments, fire districts, and tribal police). Telephone taxes will be used for enhancement and debt service on capital improvements.

Real Estate Excise Tax Fund (\$36.7 million)

The carryover fund balance to 2003-2004 is estimated at \$13.4million. Revenue for 2003-2004 is estimated at \$7.2 million in taxes and \$1 million in interest on investments. The budget includes transfers to debt service funds at a total of \$4.7 million. This will leave a fund balance in the fund at the end of the biennium of \$16.9 million. This fund can only be used for the construction of capital facilities.

Conservation Futures Tax Fund (\$3.3 million)

Property taxes are estimated at \$1,930,000. A carryover of \$750,000 is budgeted with \$45,000 coming from interest on investments. On the expenditure side, \$2.3 million is budgeted for transfers to debt service funds and to the General Fund. This fund can only be used for the acquisition of open space.

Jail and Juvenile Sales Tax Fund (\$13.9 million)

This fund is expected to have a beginning fund balance of \$4.6 million. Sales tax receipts for the biennium are estimated at \$5.7 million. Transfers to debt service, the General Fund, and to the Jail Construction Fund are budgeted at a total of \$6.3 million, leaving a projected ending balance of \$3.6 million.

Human Services Funds (\$89.4 million)

These programs are financed by Federal and State grants. For the biennium, the budgets are: \$48.4 million for Mental Health, \$7.1 million for Developmental Disabilities, \$5.8 million for Substance Abuse Treatment, \$16.1 million for Area Agency on Aging, and \$12 million for the Workforce Investment Act Jobs program.