

Why We live in Island County....



ISLAND COUNTY



What is Proposition 1 ? Why do we need it now?

June 22, 2010



What is Proposition 1 Levy for Retention of Basic Public Safety and Essential Services?
Simply stated, Proposition 1 asks voters to voluntarily increase Island County's property tax rate by 16 cents per \$1000 valuation to stabilize – along with major cost reductions – our County's finances.

Why we are in this situation and how Proposition 1 will help us all out will become clear over the next few minutes.

What you'll hear today.....

- Proposition 1 on ballot for August 17
- Basic finances of the County
- Why property taxes are such an important part of County Current Expense Fund
- Services that are mandated by law and which are not
- Steps taken to reduce our costs
- What if Proposition 1 doesn't pass
- Provide an opportunity for comments



Proposition 1
LEVY FOR RETENTION OF BASIC PUBLIC SAFETY
& OTHER ESSENTIAL SERVICES

- The County's 5-year financial forecast shows today's reduced service levels cannot be sustained in future years.
- Another \$2 million must be cut to stabilize the budget.
- Spending has been reduced by \$4.2 million since 2008.
- Impacts to Law & Justice were lessened as much as possible.
- Law & Justice and other essential services will be cut even more without additional funding.



The County's 5-year financial forecast shows today's reduced service levels cannot be sustained both next year and in future years. In order to stabilize its finances, the County must cut an additional \$2 million dollars from the programs and services needed by our community. Spending has already been reduced by \$4.2 million since 2008. Impacts to Law & Justice were lessened as much as possible. But now without additional revenue, basic public safety and other essential services will be cut even further below today's already reduced levels.

Proposition 1
LEVY FOR RETENTION OF BASIC PUBLIC SAFETY
& OTHER ESSENTIAL SERVICES

- RCW 84.55 requires voter approval
- Requests an additional \$0.16 per \$1,000 of assessed property value.
- Maximum annual increase tied to Consumer Price Index
- After 5 years, returns to a maximum of 1% annual increase



Proposition 1 requires voter approval. The basic rate for 2011 tax collection will be \$.59/\$1000, the ballot measure requests a \$.16 increase. This is less than a 3% increase. That level will continue for five years with annual increases not to exceed the Consumer Price Index (CPI) rate. After five years the levy cannot increase by more than 1% without a countywide vote.

Proposition 1
LEVY FOR RETENTION OF BASIC PUBLIC SAFETY
& OTHER ESSENTIAL SERVICES

➤ Represents less than
a 3% increase in
total property tax
rate (avg. \$7.25)

\$250,000

Assessed Value

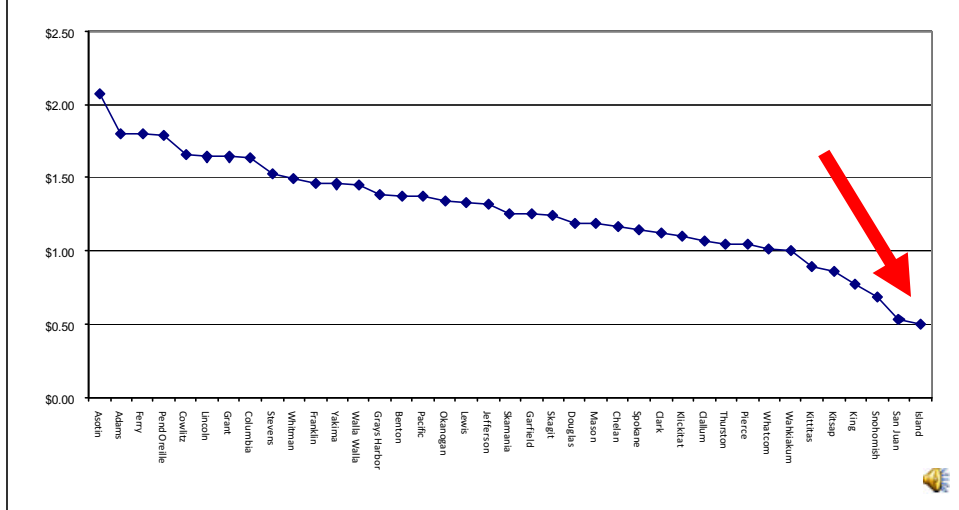


\$40 per year



Proposition 1 Levy for Retention of Basic Public Safety and Other Essential Services represents less than a 3% increase in the total average property tax rate or \$40 per year for a property with an assessed value of \$250,000.

Lowest Property Tax Rate of 39 Washington Counties



Currently Island County has the lowest Current Expense property tax rate out of the 39 Washington Counties. Historically our Current Expense Levy rate has been second lowest to San Juan County. However, last year San Juan voters approved a levy increase. So now Island County's is the lowest.

EVEN WITH INCREASE, ISLAND COUNTY'S
CURRENT EXPENSE LEVY WILL BE 2ND LOWEST

✓ If Proposition 1 is approved, the new levy rate
will be \$0.75 per \$1,000 AV

Other Counties Current Expense Levy Rates

- Skagit \$ 1.36
- Jefferson \$ 1.32
- Whatcom \$ 1.02
- King \$ 0.83
- Snohomish \$ 0.75
- San Juan \$ 0.60



Even with an increase, if Proposition 1 is approved, Island County's Current Expense Levy rate will continue to be 2nd lowest in the entire state. You can see how Island County's rate will compare to neighboring counties.

Local services NOT funded by Island County Current Expense

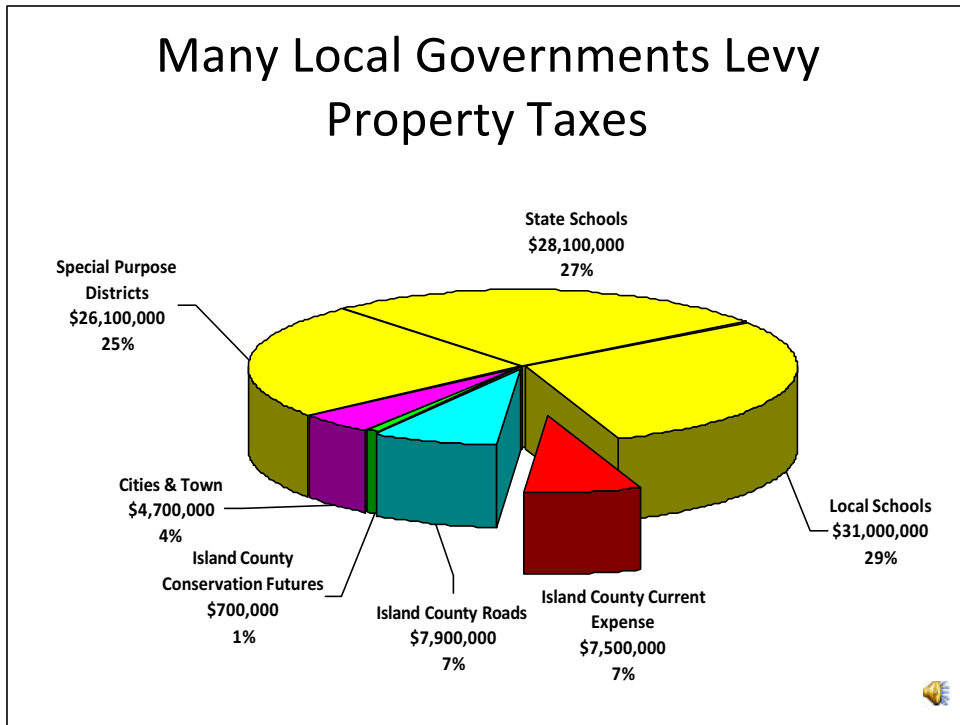


- Fire Districts
- Transit
- Hospital
- Libraries
- Schools
- Water Districts

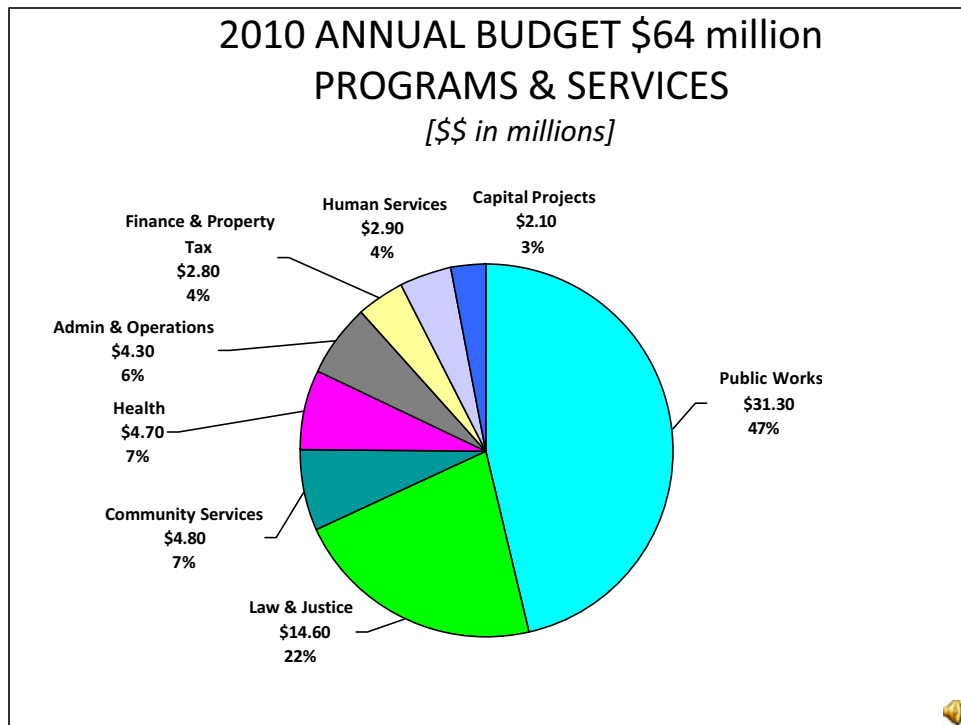


One of the most frequently asked questions is “why doesn’t the County just stop buying fire trucks?” or “why doesn’t the County stop buying buses or ambulances” Island County is a separate independent local government. Your local fire districts, schools, hospitals, library and other special purpose districts are separate independent local governments, each with their own separate decision making boards, each elected by the voters. The Board of County Commissioners does not have decision-making authority over these separate special purpose districts.

Many Local Governments Levy Property Taxes



Many Local Governments levy property taxes. Of all the property taxes collected by the Treasurer only 7% goes to fund County Current expenses. Over 80% goes to special purpose districts, state and local schools.



Another frequently asked question is what's the total Annual Budget for Island County. It's approximately \$64 million.

- Almost one-half of all County spending 47% or approx. \$31 million is spent for Public Works programs such as County Roads and Solid Waste.
- 22% almost \$15 million is spent on Law & Justice programs.
- Public Health 6% or approx. \$5 million.
- Administration & Operations 6% about \$4 million
- Finance & Property Tax collection 4% approx. \$3 million
- Human Services 4% approx. \$3 million
- And 3% \$2 million of the County's budget is spent on capital projects.

Public Works, Human Services, Capital Projects, and a portion of Public Health are funded by "restricted" special purpose revenues which provide stable funding to sustain these services.

However, revenue that funds Law & Justice, many Community Services such as Parks, the Auditor, Treasurer, Assessor, and support services is just the opposite – these services are highly dependent on unrestricted dollars coming from local sales taxes, interest earnings and property taxes.

Special Purpose Revenues “Restricted”

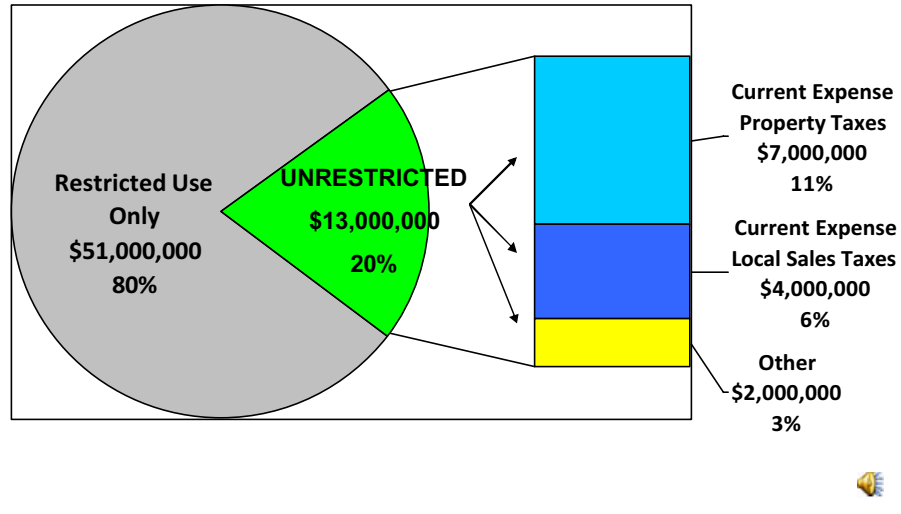
- Other Funds come from various sources and must be spent for a specific purpose based upon WA State Law
 - Examples
 - County Roads
 - Homeless Housing
 - Mental Health Sales Tax
 - Juvenile Detention
- Penalty if used for other purpose
 - Example: Loss of State Grants



Quite a few people have asked “why can’t the County use money collected for other purposes such as County Roads, Housing Programs, Indigent Veterans to help solve the problem?” Much of the revenue the County receives is restricted by state law to be used for specific purposes.

Restricted revenue, also known as special purpose revenue, comes from various sources and must be spent for a specific purpose based upon WA State Law. State Law provides for stiff penalties when restricted revenue is not spent for the legally required purpose. Penalties usually mean a loss of state funds and grants. An example is County Road funds. If County Road funds were used to plug the deficit in the Current Expense Fund, the County would lose millions of dollars of state grants over the next 2 years.

RESTRICTED vs. UNRESTRICTED



As you can see, 80% of the revenue received by the County is restricted by state law. Only 20% is unrestricted. Current Expense Property Taxes and Current Expense Local Sales Taxes comprise the majority of unrestricted revenues available to support programs and services provided by the Current Expense Fund.

CURRENT EXPENSE & OTHER FUNDS

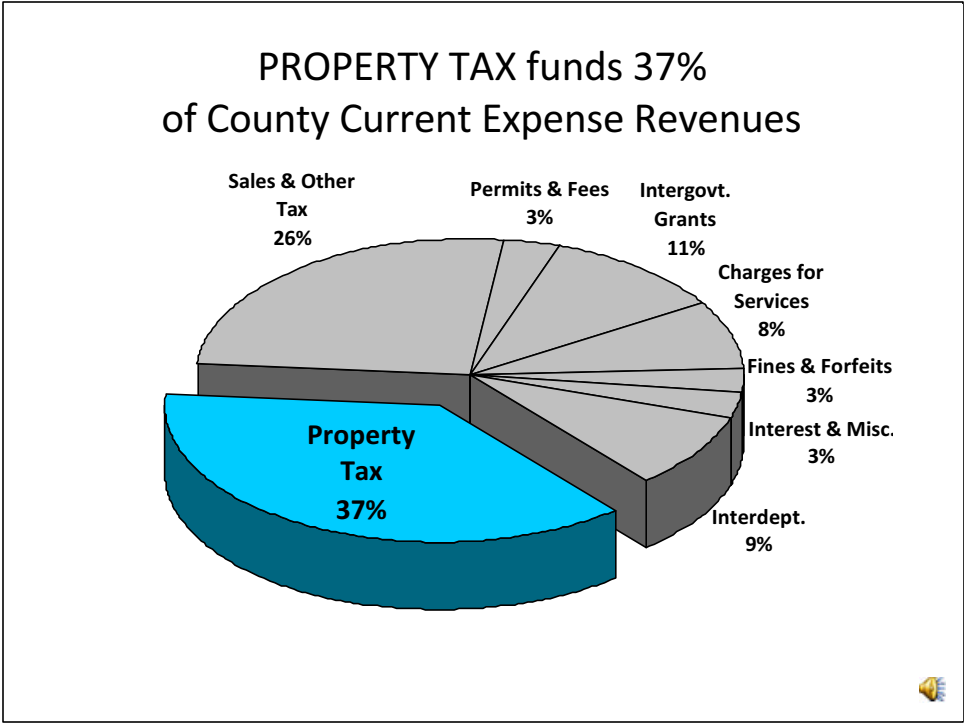
- Current Expense Fund supports most of the functions of local government
 - Chief Operating Fund
 - In practice accounts for unrestricted resources
- Special Purpose Revenues are accounted for separately
 - Specific revenue sources that are legally restricted for specific purposes



When you look at the County's budget, you'll see listed the Current Expense Fund and numerous other special purpose revenue funds.

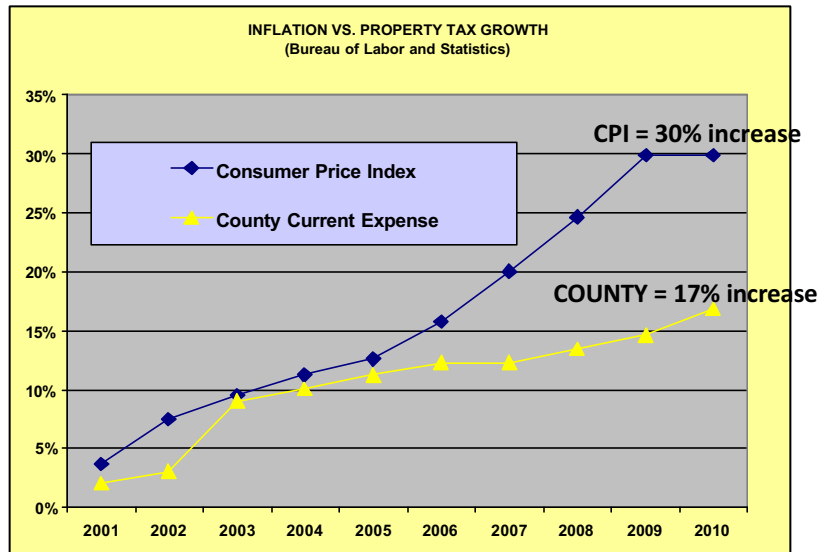
The Current Expense Fund supports most of the functions of local government. It's the County's chief operating Fund and in practice accounts for unrestricted resources.

All the other Special Purpose funds are accounted for separately and are legally restricted to be used for only specific purposes.



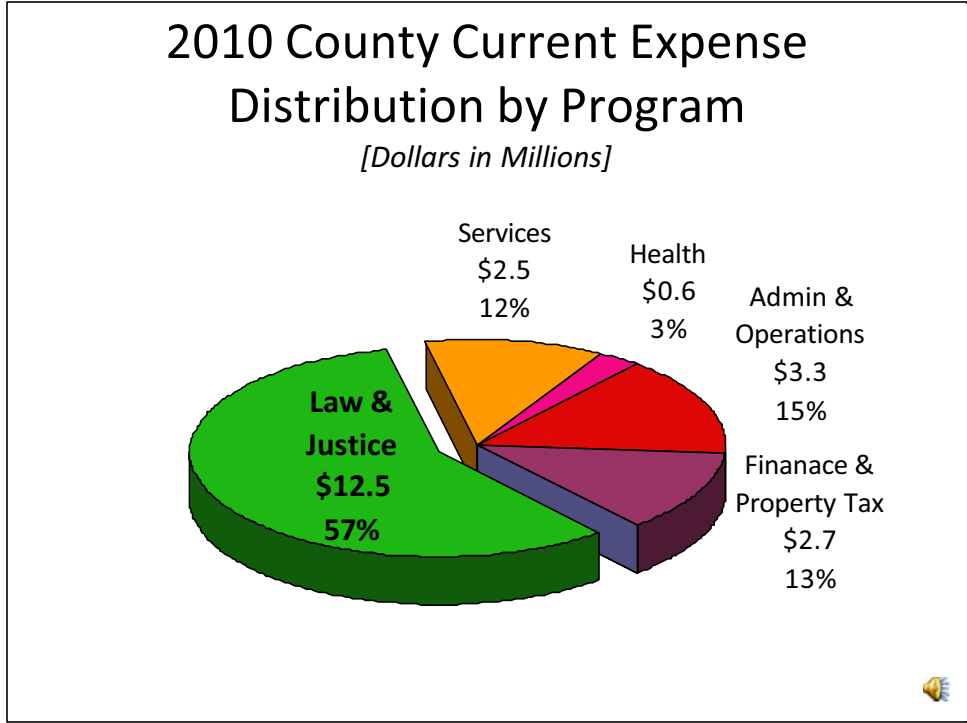
Current Expense Property Taxes are the largest source of unrestricted dollars and comprise 37% of County Current Expense Revenues. It is the most stable source of revenue that is used to fund Basic Services needed by our community.

INFLATION OUTPACED ALLOWABLE PROPERTY TAX INCREASES BY 75%



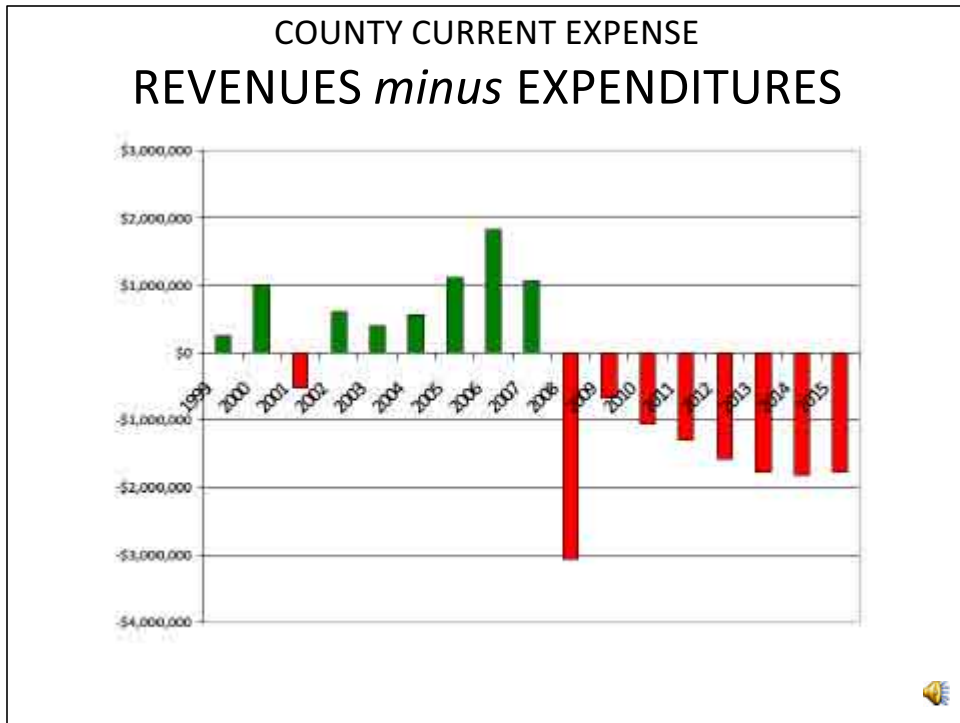
However, over the past 10 years, the Consumer Price Index (CPI) has increased 30% while the County's increase over the same period of time has been 17%. This means inflation has outpaced allowable property tax increases in Island County by 75%.

As this gap between inflation and property taxes widened, and as the County's population grew and the need for basic essential services increased, the County out of necessity became increasingly dependent on sales taxes and interest earnings. Funding essential services with fluctuating sales tax and interest income does not work. Basic levels of public safety and other essential services require stable funding.



Now let's take a look at the programs and services provided by County Current Expense. The County Current Expense Fund supports most of the functions of local government from Elections to Sheriff deputies. This is the fund that Proposition 1 will impact. Currently the budget is approximately \$22 million. 57% -- \$12.5 million of the Current Expense fund is spent on providing Law & Justice services and programs.

And because Law & Justice makes up well over half of the Current Expense Budget, you cannot expect to reduce the Current Expense Budget by another \$2 million (10%) without additional reductions in Law & Justice.



This graph illustrates that this is not a short term problem. Back in 2001 when voter initiatives took effect limiting tax revenues, the first evidence of this systemic problem was displayed when expenses exceeded expected revenues.

The onset of cheap credit and ballooning construction in our community quickly buoyed the budget in the next couple years.

Beginning in 2008 that evaporated and about one-third of the contingency was used up. Severe budget cuts and layoffs brought the budget much closer into balance, but even at these austere levels of service, financial strain will continue.

All indications show that without additional revenues the County will experience severe cash flow problems in two years and will deplete all contingency funds by 2015.

The double digit increases in sales tax revenues generated by the credit bubble will not return, but the need for services will stay. The next round of budget cuts will decimate the public safety net and essential services.

County Current Expense Funded Services MANDATED Programs



- Public Safety
- Sheriff & Jail
- ICOM 911
- Dog Control



- District & Superior Courts
- Prosecuting Attorney
- Coroner
- Public Defense



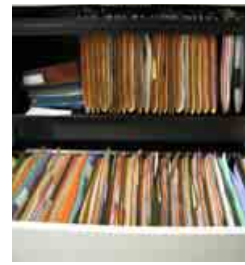
Another frequently asked question is which County programs are state and federally mandated and which are not. Here is a general list. It is not always a clear line; for instance Dog Control is mandated, however the dog licenses which generate the revenue to pay for dog control are not.

County Current Expense Funded Services MANDATED Programs



- Building Code & Land Use Enforcement
- Public Health Services

- Elections
- Financial Services
- Tax Collections
- Public Records



Elected officials such as the Assessor, Treasurer and Auditor are mandated by law to provide assessment, tax collection, banking and accounting services for most Special Purpose Districts. However, under state law, the County is not able to charge Special Purpose Districts for these services. These costs are paid from unrestricted revenues such as property and sales taxes which come right out of the Current Expense Fund.

County Current Expense Funded Services MANDATED Programs

- Senior Services includes support for Meals-On-Wheels and Information Assistance programs
- Emergency Management



The County is mandated to provide for senior services, however the level of support is discretionary.

County Current Expense Funded Services “ESSENTIAL” but Not Mandated

- Collection Program
 - Restitution
 - Recoup Court Costs
- Truancy cases
- Court Reporters
- Technology Services
- Preventive Maintenance of Facilities
- GIS mapping
- Animal Facilities
 - Dog Licenses



The County provides many essential services. For example, when the State of Washington stopped trying to collect crime victim restitution and recoup court costs from offenders, the Superior Court Clerks took over the job. Another example is preventive maintenance of County facilities, not mandated, but saves tax dollars in the long run.

County Current Expense Funded Services “ESSENTIAL” but Not Mandated

- Maternal Support Services to income eligible mothers
- Effective Parenting Education
- W.I.C. Nutrition Enrollment for non-military families
- Childrens Commission



County Public Health Nurses deliver maternity and parenting education to income eligible mothers in our community which studies have shown increase the life success of their babies. Women Infants Children (WIC) enrollment has been increasing over the last 3 years as the economy has pushed more individuals and families below the poverty level. Without the County’s continued support, there will be no local office open to non-military families which means they will have to travel to Skagit or Snohomish Counties for assistance.

County Current Expense Funded Services NON MANDATED Programs

Parks Maintenance, Playgrounds, Ball fields, Boat Ramps



Currently, Island County Parks include playgrounds, ball fields, boat ramps, biking and hiking trails, and on Camano Island, tennis courts. While not mandated, Parks facilities provide healthy, family-friendly recreational opportunities not only for Island County residents, but also tourists who spend money at our local businesses. If these facilities are not adequately maintained, it will cost far more in the future to repair the damage from neglect.

County Current Expense Funded Services NON MANDATED Programs

WSU Education Programs
4-H Youth, Master Gardeners, Agriculture



Washington State University Extension has a long history in our rural community. And supports non-mandated programs such as 4-H Youth, Master Gardeners, Agricultural Education, Beach Watchers, and Waste Wise. WSU Extension Services stretches County support dollars through volunteer hours and returns state and federal tax dollars back to our community via grant awards. Many of the grant funds received by WSU Extension Services are spent with local businesses.

County Current Expense Funded Services NON MANDATED Programs

- Citizens on Patrol










IDIPIC

**Impaired
Driving
Impact
Panel of
Island
County**



Citizens on Patrol in the Sheriff's Office and Impaired Driving Impact Panel of Island County are also non-mandated programs whose volunteers provide hundreds of hours annually to support our community. Many of your high school age children have learned about the tragic results of impaired driving from presentations by IDIPIC volunteers.

STEPS TAKEN TO REDUCE COSTS 2008 - NOW

-  Reduced spending by \$4.2 million
-  Cut over 60 employees
-  Donated 10% of Commissioners' pay
-  Other elected officials made donations
-  Health insurance benefits cut
-  Reduced energy usage by \$50,000
-  140 union employees take unpaid furlough hours



So people ask, "can't you just reduce expenditures to match the revenue available?" The County has done that to bare essential levels. Some cuts have big impacts to the local economy, such as permit staff in the Planning Department, or positions which handle state and federal grant money for our community. Cutting staff support in those instances can take millions of dollars out of our local economy. The Board tried to minimize those impacts in last year's decision making process. But will not be able to continue to do so for 2011.

- Reduced spending by \$4.2 million
- Cut over 60 employees
- Donated 10% of Commissioners' pay
- Other elected officials made donations
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- 140 union employees take unpaid furlough hours

**60 Fewer Employees Are Working In Departments
Funded By The Current Expense Fund**

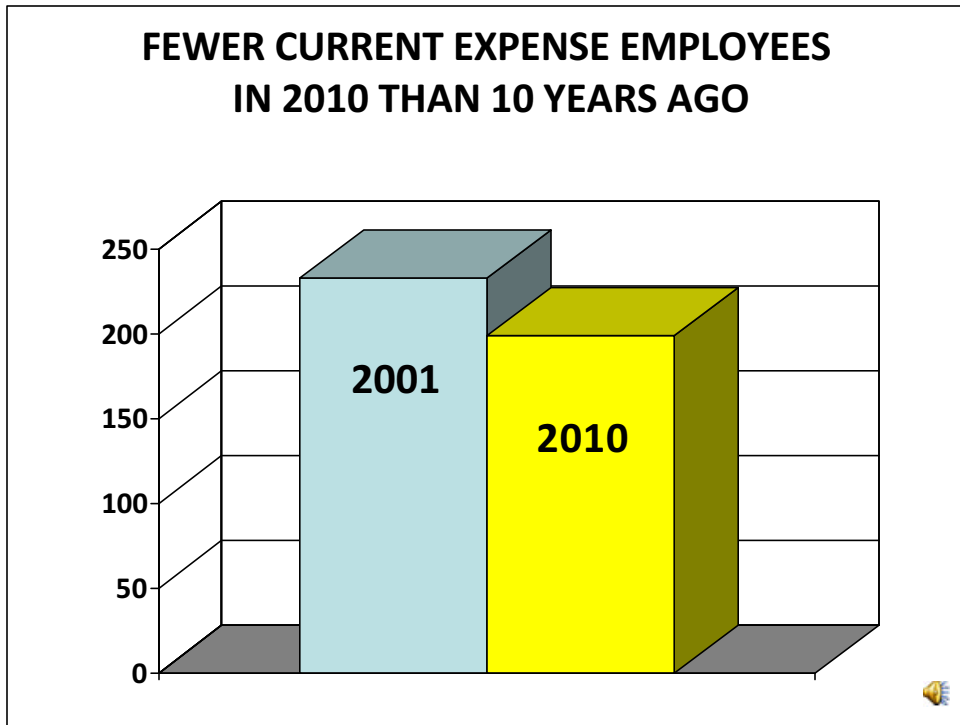
- | | |
|------------------------------------|---|
| ✂ Deputy Sheriffs | ✂ Planners |
| ✂ Correction Officer | ✂ Open Space program coordinator |
| ✂ Deputy Prosecuting Attorneys | ✂ Permit Technicians |
| ✂ Court Commissioner | ✂ Parcel Segregation clerk |
| ✂ District Court Clerks | ✂ Vehicle licensing clerk |
| ✂ Probation Officer | ✂ Cashier |
| ✂ Superior Court Clerks | ✂ Election workers |
| ✂ Paralegal | ✂ Human Resources specialist |
| ✂ Civil Records Clerk | ✂ Recording clerk |
| ✂ Public Health Coordinators | ✂ Facilities Custodians |
| ✂ Environmental Health Specialists | ✂ IT programmer |
| ✂ Hydro geologist | ✂ Mailroom clerk |
| ✂ WSU Agricultural Coordinator | ✂ Computer technician |
| ✂ Bldg. Inspectors | ✂ Accounting technicians |
| ✂ Parks Technician | ✂ Administrative & Clerical support staff |

Additionally work hours were significantly reduced for many positions. 🗣️

Other previously full time positions reduced to part time:

- WSU 4-H Coordinator
- WSU Master Gardener Coordinator
- Parks Technicians
- Camano Annex personnel
- Treasurer's front counter staff
- Emergency Management Director
- Risk Manager

FEWER CURRENT EXPENSE EMPLOYEES IN 2010 THAN 10 YEARS AGO



Currently in 2010 there are more than 30 LESS employees funded by Current Expense than 10 years ago in 2001.

**FEWER CURRENT EXPENSE EMPLOYEES
IN 2010 THAN 10 YEARS AGO**

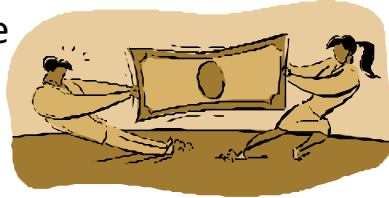
- Financial & Property Taxes -15%
- Administration & Operating -22%
- General Government -33%
- Law & Justice - 5%



And as you can see, in an effort to protect basic public safety, there has been a higher percentage of positions cut in General Government and Support Services than Law & Justice programs and services. Overall there are 15% less – more than 30 fewer positions -- than 10 years ago in 2001.

Where are we now?

- Cuts have left several 'mission critical' positions unfilled
- Deeper reductions will cost taxpayers more in the long run – impacting adults, children and seniors across our county
- Must balance the budget and stabilize the County's financial future



Where are we now?

- Cuts have left several 'mission critical' positions unfilled.
- Deeper reductions will cost taxpayers more in the long run – impacting adults, children and seniors across our County.
- We must balance the budget and stabilize the County's financial future.

As we look ahead, the cost of these diminished County services will exceed revenues again in 2011. The impacts to the local economy will not be mitigated as they were during last year's cuts, thus multiplying the negative effects to our community. The consequences are clear that our community's public safety and public health will continue to unravel.

WHAT HAPPENS IF PROPOSITION 1 DOESN'T PASS?

~~✂~~ *Another \$2 million of continued reductions will occur:*

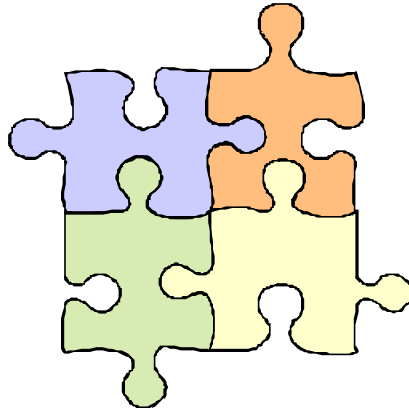
- ? Law Enforcement Services – deputies, deputy prosecutors
- ? Public Health Services– public health nurses & education
- ? Senior Services Programs
- ? 4H Programs, Master Gardeners, Agriculture Education
- ? Noxious Weed Control
- ? Reduced Court Services
- ? Reduced Code Enforcement
- ? Limited satellite & courthouse office hours



The Commissioners, Elected Officials, and Department Heads have already begun considering “what if” Proposition 1 doesn’t pass. This is still being decided, but some probable impacts are listed. Further reductions in:

- Law Enforcement Services – deputies, deputy prosecutors
- Public Health Services– public health nurses & education
- Senior Services Programs
- 4H Programs, Master Gardeners, Agriculture Education
- Noxious Weed Control
- Reduced Court Services
- Reduced Code Enforcement
- Limited satellite & courthouse office hours

Community Impacts



What makes these cuts more difficult is the interconnectedness of the programs affected.

Diminished Law & Justice programs mean less prevention and higher costs in the long run.

Fewer programs supporting seniors and families means increased strain on health and emergency systems.



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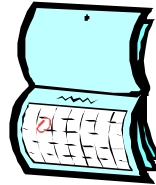
Cutting WSU Extension Services removes \$1,000's of grant programs and economic stimulus from our local economy. Reduced programs for youth can have negative impacts for their future, making our community less desirable for families.

Reduced public health services mean increased demand on schools, hospital emergency rooms; reduced immunizations to at risk populations in rural areas.

Diminished Law and Justice programs mean longer response times for deputies; increased case loads for prosecutors; less prevention equals higher costs in the long run.

Proposition #1 Information

- County webpage www.islandcounty.net
- Public forums
 - **Monday, June 21, 6:00 p.m.** Coupeville
 - **Tuesday, June 22, 6:00 p.m.** Camano Island
 - **Wednesday, July 7, 6:00 p.m.** Freeland
 - **Tuesday, July 13, 6:00 p.m.** Oak Harbor
- Meet with civic groups in our communities
- Voting ends August 17



Additional information on Proposition 1, the County's Budget, the official levy resolution and ballot language is available through the Island County's website at www.islandcounty.net

LOOKING TOWARD THE FUTURE...



- The County can't sustain services without additional stable revenues.
- Our job is to provide voters with the timely data they need to make an informed decision
- Then make the best of the resources available



Looking toward the future...

The County can't sustain services without additional stable revenues.

Our job is to provide voters with the timely data they need to make an informed decision--then make the best of the resources available.

The Board of County Commissioners will balance the budget for 2011 with the resources available. A modest increase in the Current Expense levy can provide the necessary funding to support basic levels of public safety and other essential services. Should the ballot measure fail, severe impacts to our community safety net are unavoidable. Law and justice, public health, services for children and seniors will be slashed.

YOUR CHOICE IS

Retain basic public safety and other essential services

OR

Further reduce Law & Justice and other community services that provide for the health and safety of our citizens.



Why We Live in Island County.....



We are at a crossroads in Island County. Local government revenues do not support basic levels of essential services and our community must choose what the future will hold.

The Board of Commissioners has spent the last 18 months cutting County supported programs by millions of dollars, increasing user fees where prudent, reorganizing and shrinking government to live within the revenues available. Despite these efforts, essential services will need to be significantly reduced below current levels to match available resources.

It has become evident that funding essential services with fluctuating sales tax and interest income does not work. Basic levels of public safety and other essential services require stable funding. Current tax revenues are not sufficient to provide for adequate law enforcement, public health, or even basic maintenance of publicly owned facilities.

This is not a short term problem. The increase in sales tax revenues generated by the credit bubble will not return, but the need for services remains. All indications show that without additional revenues the County will experience severe cash flow problems within the next two years and will deplete all contingency funds by 2015. The next round of budget cuts will decimate our departments and support services.

The Board engaged a panel of private citizens to scrub our numbers and check if our assumptions were correct. They reported in April that our economic predictions were valid. In response, the Board put forward Proposition 1, asking voters to decide if they wish to stabilize the funding for basic levels of public safety and other essential services.

Proposition 1 Levy for Retention of Basic Public Safety and Essential Services will be used to fund the community's most basic needs.

Thank you for your time today -- to learn about Proposition 1 and why it's needed now.