

BOARD OF

YAKIMA COUNTY

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To: The Citizens of Yakima County
Elected Officials and Department Directors

-2007 Budget Message-

Overview

The full document constitutes the formal 2007 Budget for Yakima County. The General Fund of Yakima County supports day to day operations of core County services – providing funding for law and justice, tax assessment and collection, elections, accounting, human resources, parks, planning and others. Some of these services, the public sees directly (law enforcement, parks, courts) while other functions serve the taxpayers indirectly (accounting, tax assessment and collection, human resources). Many services are required or mandated by the state or federal governments (Stormwater, Growth Management, Law and Justice); often there is little or no funding available to meet these mandates.

Over the past decade, the County has struggled to meet the growing demands in these areas with existing revenues. Unfunded state mandates, particularly in the law and justice areas, have strained our ability to meet greater service demands from an increasing population.

In addition, initiatives have impacted the County's ability to fund services. Initiative 695 (also called the Motor Vehicle Excise Tax initiative or MVET) has translated into over a \$4.1 million annual loss to the County's budget. Initiative 747 (property tax initiative) has resulted in a \$6.1 million annual reduction in the growth of property taxes. This revenue constraint, coupled with the growth in state mandates, has forced program cuts and changed how we develop the County's annual budget.

Budget Process

Yakima County Commissioners actively involve the other elected county officials on budget issues relating to the General Fund. The first meetings to develop the 2007 Budget were held in the spring of 2006 and continued through adoption of the 2007 Budget in November.

The County used a modified incremental budget process to balance the 2007 Budget. This process uses the prior year budget and adds funds for salary, benefit and fixed cost (Purchasing, Facilities, Liability Insurance and Technology Services) increases, and adjusts for grant/contract changes. The State Legislature has increased contribution rates to the State retirement system for government employees, including Yakima County. These rate increases will cost Yakima County in excess of \$700,000 in 2007 with additional increases anticipated in 2008.

Additional changes were made to 2007 budget levels within the General Fund beyond funding levels of the prior year budget. Flex Costs, which are General Fund line item budget costs volatile in nature and difficult to anticipate and/or predict within any year to year line item budget projection, increased \$800,000 over 2006 due to the increases in the Sheriff's fuel costs, indigent defense costs ordered by the Superior Court, and jury costs. Also, a Flex Cost reserve was established for 2007 in the amount of \$112,262 for unforeseen overruns with any unspent Flex Cost funds in 2006 or 2007 to be allocated to this reserve. In addition, funding was increased by \$121,465 to the Department of Corrections to fund an Assistant Director position in DOC and purchase replacement equipment for failing radios and safety equipment. Also, costs to operate the medical services operation within the jail increased by \$225,000 in 2007 when the County hired Conmed Inc. to resolve service delivery issues within the jail.

In 2007, Yakima County will contract with the Yakima Storage Basin Alliance to provide \$50,000 of support to the Black Rock Dam project for future economic development.

On-Going Budget Strategy

Yakima County Commissioners have identified seven community priorities for County government: public safety, law and justice, economic development, quality of life, public services, governmental services, and health and human services. During the 2007 Budget process, elected officials and department heads were called upon to break these priorities into Major Functions and Minor Functions. The County will continue this process in 2007 to further break down these functions into tasks to help direct future spending of available resources. Currently, over 79% of the general revenues received by Yakima County are spent on public safety and law and justice.

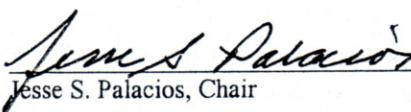
The 2007 Budget moves the Department of Corrections from a department within the General Fund to a Special Revenue Fund, a special purpose fund outside the General Fund. This was done to clearly show how much the General Fund is budgeting in 2007 for Department of Corrections operations, \$10,442,334 versus the total cost of corrections in Yakima County at \$25,189,543, which includes debt service payments for the Restitution Center and the new Justice Center. The difference between these figures represents the revenue that is generated by the corrections department for bed rentals to other jurisdictions and other program revenues such as home detention, work ethics detention, work crews, etc., in the amount of \$14,747,209.

The Board of County Commissioners adopted a General Fund Reserve policy that will strive to maintain an appropriate total reserve to protect our financial standing in the bond market, protect cash flow and to respond to unforeseen emergencies. It has been determined for 2007 that a minimum total reserve of 12% is necessary to achieve these goals. Meeting this minimum total reserve level is a top priority for Yakima County. As part of this total reserve, \$2.5 million is designated to startup the operations of the new Justice Center on 18th street, which will be opened in 2007. As these funds are spent down, the reserve policy requires Commissioners to fund half of any reserve shortfall when developing the 2008 Budget.

Commissioners have adopted budget policy relating to reserve levels in the County's Liability Insurance fund, to provide for an adequate response to claims against the County. Additionally, Commissioners approved a "Flex Cost" policy to properly budget and maintain adequate reserves for line item budget costs volatile in nature and difficult to anticipate and/or predict. Commissioners also have adopted a Carryout policy to encourage and reward elected officials and managers to budget and spend prudently.

Yakima County elected officials and department heads are committed to providing the best possible service to the public. We will continue to explore ways of providing more information and involvement of the public in our decision making as we enter a new era of providing basic local service. We will continue to work with state and federal officials to ensure that adequate funding is provided to implement mandated services. Finally, we will continue to pursue new revenue sources and generate new cost efficiencies to fund services our taxpayers need. We invite you to join us in this process.

The Board of County Commissioners


Jesse S. Palacios, Chair


Michael D. Leita, Commissioner


Ronald F. Gamache, Commissioner