



Snohomish County

John Lovick
County Executive

News release – Oct. 28, 2015

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Setting the record straight on Exec. Lovick's 2016 proposed budget

A recent county council PowerPoint presentation included some inaccurate and misleading statements about Snohomish County Exec. John Lovick's 2016 recommended budget.

The council claims the 2016 proposed budget does not include actual over-expenditures or revenue shortfalls that will occur in 2015.

- Exec. Lovick's 2016 proposed budget does include estimated over-expenditures and revenue shortfalls from the council-approved 2015 budget identified during budget development. These issues were accounted for and addressed as part of the executive's 2015 year-end estimate, 2016 recommended budget and a five-year financial plan. General fund revenues were reset in 2016 to reflect 2015 revenue shortfalls, and additional funding was added to several law and justice departments in 2016 to correct for the underfunding of these services in the council-approved 2015 budget.

The council states reserves are low.

- The county council is the only branch of government that establishes county reserves, funds those reserves and authorizes the spending of reserves. The executive has consistently recognized the importance of fund balance (reserves), and to that end Exec. Lovick's 2016 proposed budget recommends bolstering the reserves to \$22 million or 10 percent of general fund revenue and reaching the 11 percent target in 2017. The final decision rests with council.

The council states the reserve level is "less than is needed for liquidity" and the "General Fund has repeatedly borrowed from other funds to meet its obligations."

- The council actually approved this practice in a 2008 approved motion. This motion states that "from time to time the General Fund may experience a low cash balance due to the cyclical nature of certain revenue receipts, particularly those from property tax revenues," which are primarily received twice a year in April and October. The motion also states that "it is standard practice in the industry" to "provide for temporary short-term borrowing between funds for liquidity purposes."

The council says tax revenues are increasing, but they are not keeping pace with the growth in expenditures, and that this is not a sustainable path for the future.

- Exec. Lovick's 2016 recommended budget takes a holistic approach to the budget, accounting for **all** general fund revenues and expenditures. The executive has produced a fiscally sustainable budget with significant increases in fund balance (reserves) in 2016 and beyond.

The council says there is uncertainty regarding the courthouse project and related costs – and issues regarding safety and security must be addressed.

- Exec. Lovick has proposed a plan for addressing safety and security concerns of the current courthouse building. Exec. Lovick's plan takes a portion of the existing bonds to keep the current courthouse on life support (not a remodel!) and to renovate the historic Mission Building to accommodate some law and justice staff. He also proposed cutting taxes by \$4 million starting in 2016 and retiring a portion of the courthouse debt (issued in April 2013), saving the county \$59 million over the life of the bonds.

The council claims one-time money is used to fund ongoing expenses in Exec. Lovick's budget.

- The executive's budget is built on sound financial management practices. Exec. Lovick's proposed budget uses ongoing revenues for ongoing operating expenses. One-time monies in the executive's proposed budget are directed to the fund balance (reserves), which is an appropriate and fiscally responsible thing to do.

The council says there's uncertainty regarding the potential loss of sales tax revenue generated by Quil Ceda Village.

- County officials have been aware of the Quil Ceda issue since 2000. The outcome will not likely be known until 2017, at the earliest. Exec. Lovick and his team are closely monitoring this matter.

The council says contracts with a majority of the county's labor units are pending resolution and will result in higher costs for labor.

- Exec. Lovick's 2016 proposed budget sets aside money (similar to past practices) to pay for these contracts pending final outcome of labor negotiations.

For more information regarding Exec. Lovick's 2016 recommended budget visit bit.ly/20a1k3O.

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