

PRESS RELEASE



County Council

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There's good news and bad news about the executive's budget proposal for 2008

First, the good news: On the surface it appears to be a balanced budget.

The bad news, said Fred Bird, County Council spokesman, is that when you look beneath the surface you will quickly discover that the executive plans to borrow money unnecessarily in order to pay the county's bills. Is this what he means when he repeatedly says the county must "live within its means"?

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In July the council provided the executive with clear direction on how anticipated new revenues should be used in keeping with the council's long track record of conservative budgeting. Unfortunately for taxpayers, that direction was largely ignored, he said.

The most important council directive to the executive called for responsible debt management, specifically payment of the installment due on the loan for the purchase of the Cathcart property. This year a payment of \$1.5 million was due, but the executive chose to roll the payment over for another year at a cost of more than \$300,000 to taxpayers.

Now the bill is \$1.8 million and the executive plans to borrow more money to make the 2008 payment. That's like using your Visa card to make a payment on your MasterCard. It's a bad idea for a family's financial health, and it is certainly not good fiscal policy for handling taxpayer's money, said Bird.

If the economy were in the dumps it might be necessary to take on additional debt, but as expected, the proposed budget reveals that Snohomish County will receive \$3 million to \$4 million in new sales tax revenue in 2008 without increasing taxes, he said. Common sense and sound fiscal policy dictates that the money be spent to pay our bills when they are due, not push them off for another year racking up hundreds of thousands of dollars in additional interest along the way.

Transparency?

Contrary to his statement in his recent budget speech ("Our expenditures are in line with revenues..."), the executive's budget proposal for 2008 also calls for spending \$3 million more than the county will receive in revenues next year, taking money from the county's savings account to balance his spending proposals, said Bird. This is not readily apparent because he is portraying the numbers differently this year – different from the three previous budgets presented to the council. (1)

There is nothing inherently wrong with his planned use of reserves (under expenditures) as our savings will remain above the 11% minimum balance established many years ago by the council. The council has used excess reserves in past years to fund important programs like adding deputies

and improving services for veterans. However, the executive has repeatedly described this practice as 'deficit spending' and has frequently blasted the council when it has used excess reserves. His use of reserves this year may demonstrate that he has come a long way in his understanding of the fundamentals of government budgeting, but it certainly flies in the face his recent claims that his proposal "does not tap reserves". (2)

The best news in all of this for taxpayers, said Bird, is that the council has the final word on what the budget will look like for 2008. There will be no borrowing to make loan payments, and once again, the budget will be balanced.

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(1) **Under-expenditures** were moved from "reserves" to "resources" – from *savings* to *revenues*. See attached 2007 & 2008 5-year budget projections.

(2) "Opposing budget philosophies of county executive and council may again clash", *The Herald*, Sept. 28, 2007.