



# Thurston County General Fund Four Year Financial Outlook February 1, 2011

## Overview

Economic indicators for the United States, Washington State and Thurston County show that we are in slow economic recovery. Consumer confidence in Thurston County continues to be good, and although state jobs are at risk, the total number of jobs in the county is expected to remain steady. The construction industry is lagging behind the recovery, but the steep declines in that sector have come to an end.

For county government, this means a modest growth in the major sources of general fund revenue. Property taxes are expected to increase at a moderate rate due to increases in the levy although new construction is expected to continue to decline in the near term. Sales taxes are also expected to slightly increase.

Expenditure increases are expected to outpace the growth in revenue in future years. Increased costs are largely driven by adjustments to salaries and benefits for county employees.

The Thurston County General Fund is expected to be financially sound in 2011, with sufficient revenue to adequately cover costs without significant reductions if county agencies continue careful spending habits and seek opportunities for savings. However, unless action is taken to reduce costs or increase revenue, future years will not have sufficient reserves to meet cash flow needs or the costs of unanticipated emergencies.

## Three Forecast Scenarios Presented

Economic trends and revenue downturns in recent years make predicting future general fund revenue difficult. In order to present a range of possibilities, the Thurston County Four Year Financial Outlook includes three forecast scenarios. In addition to the moderate forecast, two alternatives are presented.

In an optimistic forecast, economic growth is assumed at a faster pace. This scenario includes

- higher revenue for property taxes related to increasing new construction
- higher sales tax growth rate
- variations in expenditure estimates for salaries and benefits

In a pessimistic forecast, it is assumed the severity of government job layoffs and furloughs will keep the county economy sluggish. This scenario includes

- lower revenue for property taxes related to stagnant new construction
- lower sales tax growth rate
- variations in expenditure estimates for salaries and benefits

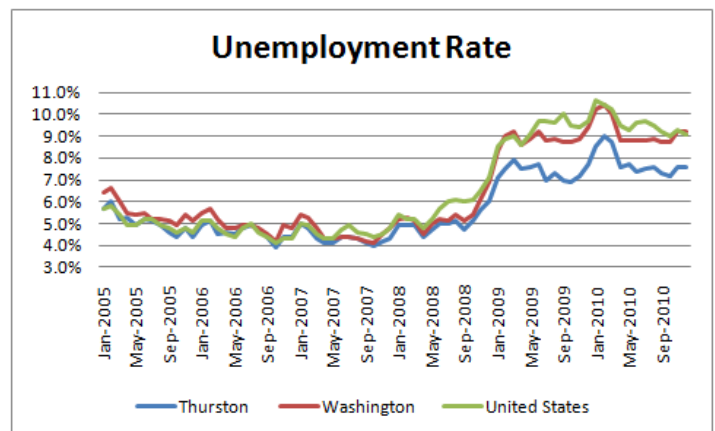
Tables presenting the three alternatives are at the end of this report.

## Economic Conditions

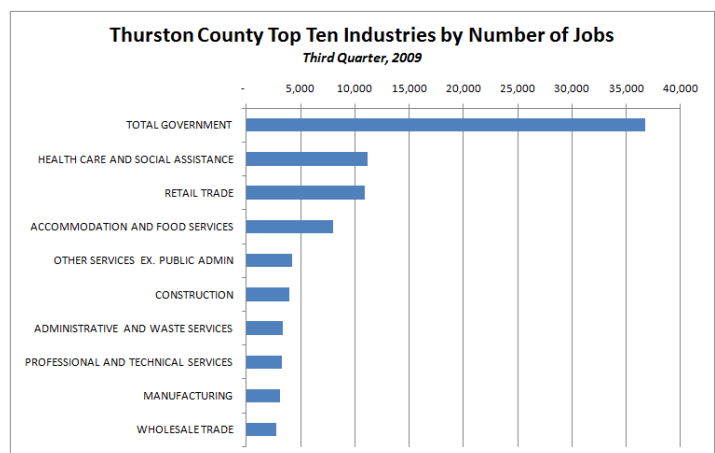
**Washington State Economy:** In the November 2010 Washington State Economic and Revenue Forecast, the Washington State Economic and Revenue Forecast Council declared the economy to be “off life support but still in intensive care.”<sup>1</sup> The Council continues to expect the recovery to be “U-shaped” and slow. Economic indicators suggest the risk of a double-dip recession has decreased since summer 2010, but the possibility remains. Employment growth in Washington is expected to be slow and bumpy, with losses in state and local government employment offsetting growth in the private sector. The Council predicts residential construction will begin to see growth in late 2011, however non-residential construction will continue to lose ground through 2012 as it searches for a new bottom. Seattle inflation is expected to remain low in the next few years. Overall, Washington is expected to outperform the US economy.

**Thurston County Economy:** In most economic indicators, Thurston County is following state-wide trends. However, the unemployment rate is not as high, job loss is not as great, and consumer confidence is better. While the economic recovery will be slow in our county, the county economy is currently in better condition than most of the state.

**Unemployment Rate:** After increasing dramatically during late 2008 and early 2009, the unemployment rate remained flat during the last three quarters of 2010.<sup>2</sup> The rate in Thurston County is consistently below the Washington State and national unemployment rate.



**Jobs:** Statewide, the number of jobs is to be virtually unchanged between 2010 and 2011. Jobs are then expected to grow 2.7% in both 2012 and 2013. The growth is anticipated in the private sector, buoyed by aerospace, software and retail trade. Government employment is predicted to lag other sectors, shedding additional jobs through the first quarter of 2012.<sup>3</sup>



The Thurston County economy is dependent on government employment. Total government employment makes up 37% of the jobs in Thurston County; state government accounts for 24.5% of the jobs and 34% of the total wages paid in the county. The Labor Market and Economic Analysis Office of the Washington State Employment

<sup>1</sup> Washington State Economic and Revenue Forecast, November 2010, Washington State Economic and Revenue Forecast Council

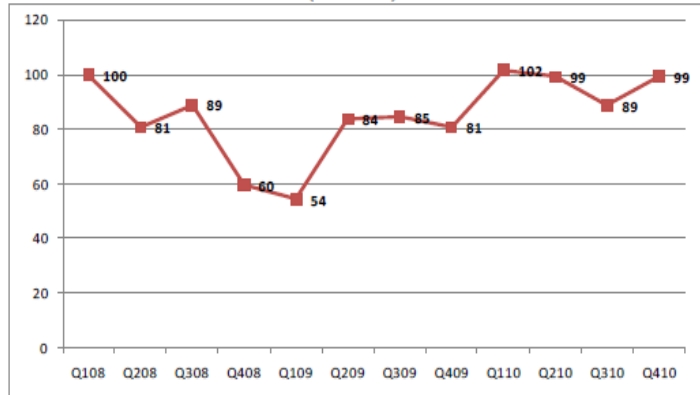
<sup>2</sup> Unemployment Rate, Thurston County, Employment Security Department website, January 2011

<sup>3</sup> Washington State Economic and Revenue Forecast, November 2010, Washington State Economic and Revenue Forecast Council, page 28

Security Department predicts that on average, in Thurston County state government employment will decline on average 0.5% each year between 2008 and 2013.<sup>4</sup> However, total employment is predicted to remain flat, with growth in the private sector offsetting government employment losses. Total estimated employment in all industries was 173,700 jobs in 2008, and is anticipated to be 173,800 jobs in 2013 and 183,600 jobs in 2018.

Consumer Confidence: Thurston County consumer confidence is measured quarterly by the Thurston County Economic Development Council (EDC). Consumer confidence remained strong in the Fourth Quarter 2010 Economic Vitality Index Report; the index score of 99 is only slightly less than the high point of 102 in the first quarter of 2010. Consumers appear to be optimistic that labor conditions will improve in the next six months. Of the CEOs surveyed, 47% believe current economic conditions are moderately better than six months ago, and that an increase in market demand will be a primary source of profit. The EDC further states local economic conditions appear to be stabilizing and even improving in some areas.<sup>5</sup>

Thurston Consumer Confidence Index (2008-2010).



Construction Permits: Statewide, the number of authorized construction permits for residential units is anticipated to pick up strength in 2011 and continue to grow through 2013.<sup>6</sup> However, the Forecast Council predicts that non-residential construction will continue to decline through the third quarter of 2011. As a result, overall construction employment will be flat into 2011, and then growth will be weak.

In unincorporated Thurston County the number of residential permits issued in 2010 grew 3.7% compared to 2009. Residential site plan review applications dropped nearly 10%, indicating residential construction will continue to be depressed in future months. Consistent with the state, the number of non-residential construction permits issued continues to fall.<sup>7</sup> The combined effect is predicted to be continued depressed employment in the construction sector, low sales tax receipts from construction, and low new construction value for property taxes.

Thurston County Permitting					Percent Change
	2007	2008	2009	2010	2009 - 2010
Single Family Residence Permits	842	572	442	456	3.2%
All Residential Building Permits *	3,272	2,717	2,304	2,389	3.7%
Residential Site Plan Review **	2,252	1,580	1,165	1,050	-9.9%
Non-Residential Building Permits	295	315	184	135	-26.6%
Land Use Applications	895	837	549	333	-39.3%

\* All Residential Building Permits include upgrading mechanical systems (hot water tanks, furnaces, heat pumps), outbuildings, garages, additions and remodels

\*\* Residential Site Plan Review: Process to review a vacant piece of property for development for single family residents - this is the first step in the process. The site plan approval identifies any issues or conditions or limitations; location of wells, septic systems, the building envelopes, setbacks, critical areas, access points. In many cases it is submitted along with the septic system design proposal.

<sup>4</sup> Industry Projections for All Industries, Thurston County, LMEA County Dashboard, ESD website, January 2011

<sup>5</sup> Thurston Economic Development Council Economic Vitality Index Quarterly Report, Fourth Quarter 2010

<sup>6</sup> Washington State Economic and Revenue Forecast, November 2010, Washington State Economic and Revenue Forecast Council

<sup>7</sup> Thurston County Management Report to the Board of County Commissioners, January 21, 2011

## Revenue Projections

Overall, general fund revenue is anticipated to continue very slow growth in the next few years.

**Property Taxes:** Thurston County commissioners are expected to increase the property tax levy by the total amount allowed under the law, 1% per year. Historically, the amount of taxes collected in any given year is approximately 98% of the amount billed in that year. Collection of the tax in future years is anticipated to continue to follow that pattern.

Thurston County new construction values have fallen dramatically since 2007, dropping over 30% in each year.<sup>8</sup> Consistent with the expectation that permitting for non-residential construction will continue to fall and residential construction will have very low growth in 2011, new construction values are expect to drop again in 2011, although not at such a steep decline, then remain flat in 2012. New construction value is reflected in property taxes in the following year; the value in 2011 is included in property tax collections in 2012, etc.

Thurston County New Construction Value		
2007	\$1.1 billion	
2008	\$754 million	-31.5%
2009	\$509 million	-32.5%
2010	\$334 million	-34.4%

**Moderate Forecast:** The property tax levy will increase 1%. Given the depressed construction industry, the value of new construction is expected to drop 15% in 2011 then remain flat in 2012. New construction in future years is anticipated to be \$284 million in 2012 and 2013. In 2011, 2012 and 2013, total property tax collections are anticipated to be 98% of the taxes billed.

2009 Actual: \$29,917,000  
2010 Actual: \$30,831,000  
2011 Estimate: \$31,703,000  
2012 Projection: \$32,299,000  
2013 Projection: \$32,899,000

**Optimistic Forecast:** The property tax levy will increase 1%. New construction values will remain flat at \$334 million as construction holds the line in 2012, and then grows 10% to \$367 million in 2013. Total property tax collections are anticipated to be 98% of the taxes billed.

2009 Actual: \$29,917,000  
2010 Actual: \$30,831,000  
2011 Estimate: \$31,703,000  
2012 Projection: \$32,348,000  
2013 Projection: \$33,031,000

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<sup>8</sup> Statistical Report of 2009 Assessment for Taxes Payable in 2010, Thurston County Office of the Assessor

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**Pessimistic Forecast:** The property tax levy will increase 1%. Property values will continue to decline, and demand for new housing will not increase, causing contractors to continue to hold back on new housing projects. Non-residential sales continue steep declines in 2012, and hit bottom in 2013. New construction values decrease another 30% in 2012, to \$234 million, and remain flat in 2013. Total property tax collections are anticipated to be 98% of the taxes billed.

2009 Actual:	\$29,917,000
2010 Actual:	\$30,831,000
2011 Estimate:	\$31,703,000
2012 Projection:	\$32,250,000
2013 Projection:	\$32,801,000

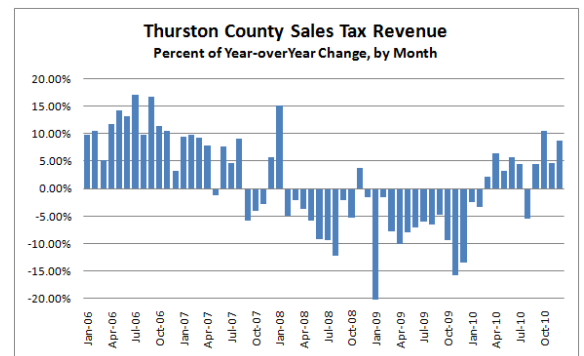
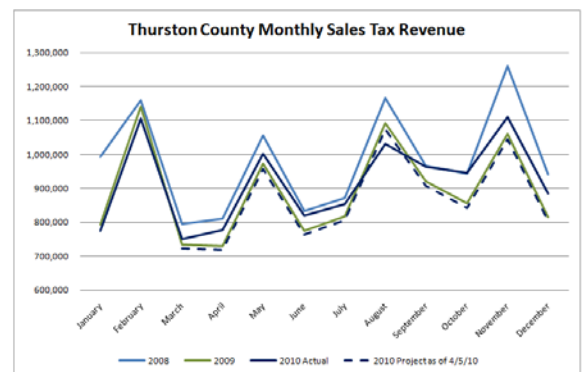
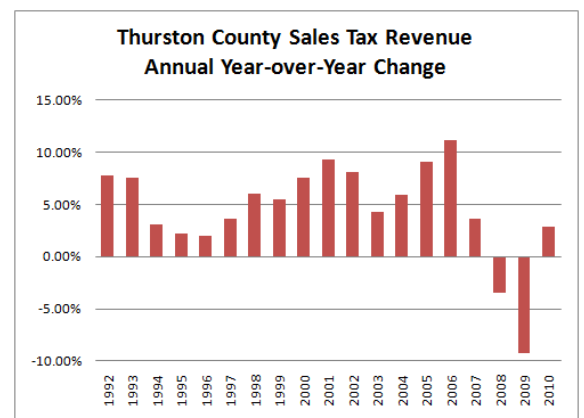
**Sales Taxes:** Based on improving retail and manufacturing sales and growth in the construction industry (slow, but growth all the same), the Economic Revenue and Forecast Council predicts Washington State sales tax revenue will grow 4.4% in 2011, 9.8% in 2012 and 7.3% in 2013.<sup>9</sup>

Thurston County growth patterns for sales tax receipts are not the same as the state. The forecast for Thurston County has a more modest outlook at sales tax revenue increases. Over the past 18 years, sales tax has grown at an average annual rate of 4.7%. This includes a high rate of growth between 1997 and 2006; these years had an average growth rate of over 7%.

There are reasons to be optimistic about sales tax revenue growth. The 2010 county budget assumed sales tax revenues in 2010 would equal the amount collected in 2009; actual collections for 2010 were 2.9% above the budgeted amount. Year-over-year change was positive in 9 out of 12 months in 2010. Consumers believe this is a good time for major purchases.

There are also reasons to be concerned. The continued layoffs and furloughs in state and local government put a dampening effect on economic growth and consumer spending. A portion of the gains in sales taxes were from candy and bottled water taxes, which ended in December 2010. The construction sector is anticipated to be sluggish.

The moderate forecast includes conservative growth at 2.2%, which is average growth for the most recent five years.



<sup>9</sup> Washington State Economic and Revenue Forecast, November 2010, Washington State Economic and Revenue Forecast Council, page 59

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Moderate Forecast: The 2010 sales tax revenue was 2.9% above 2009. Growth included receipts from candy and bottled water taxes which will not continue. Growth in future years is assumed at the recent five year average of 2.2% per year.

2009 Actual:	\$10,707,000
2010 Actual:	\$11,016,000
2011 Estimate:	\$11,258,000
2012 Projection:	\$11,506,000
2013 Projection:	\$11,759,000

Optimistic Forecast: In the optimistic scenario, sales tax revenue in future years are anticipated to grow as the economy picks up. Sales tax growth in Thurston County will match the Forecast Council growth predictions for the state: 4.4% in 2011, 9.8% in 2012 and 7.3% in 2013.

2009 Actual:	\$10,707,000
2010 Actual:	\$11,016,000
2011 Estimate:	\$11,501,000
2012 Projection:	\$12,628,000
2013 Projection:	\$13,549,000

Pessimistic Forecast: In the pessimistic scenario, the sales tax revenue growth in 2010 is assumed to be from stimulus and new sales tax sources, both of which have ended. Consumer spending will drop, and taxes will fall to 2009 levels before flattening and resuming slow growth in 2013. Future year changes could be -2% in 2011, no change in 2012 and 2% in 2013.

2009 Actual:	\$10,707,000
2010 Actual:	\$11,016,000
2011 Estimate:	\$10,795,000
2012 Projection:	\$10,795,000
2013 Projection:	\$11,033,000

**Intergovernmental Revenue:** Intergovernmental revenue includes funding from federal and state governments and income from other jurisdictions.

The county has been highly successful in obtaining federal awards. With the exception of remaining American Reinvestment and Recovery Act funding, federal funding is anticipated to continue at the level budgeted in 2011, \$5 million per year.

The greatest unknown in this forecast is the effect of reductions in state spending. The state is facing significant budget shortfalls in the state 2011-13 Biennium. At the time of this forecast, the amount of reductions in state awards is unknown. The county budget for 2011 includes current awards and contract with state agencies in the amount of \$2.2 million. However, this amount could change mid-year once the legislature enacts a state budget. This forecast assumes a 5% reduction in state grants and awards in 2012.

**Transfers:** In 2011, the Thurston County budget includes the following transfers:

- \$1,488,000 from the Detention Sales Tax account were transferred to pay for operating costs of the county jail and to make bond payments for the Accountability and Restitution Center.
- \$2,334,000 from the Treatment Sales Tax account to pay for operating costs of programs designed to address the needs of persons involved in the county legal system who have mental health or substance abuse issues.
- \$3,000,000 from the County Roads account to pay for costs directly related to traffic and road safety.
- \$43,000 from the Risk Management account for staff training such as safe driving and other risk-reduction programs.

Transfers are anticipated to continue in future years.

## **Expenditure Estimates**

Although revenues are expected to grow at a modest rate, county expenditures are anticipated to grow in future years at a rate that will outstrip available revenue sources. In all forecast scenarios, the county is predicted to have sufficient resources to cover costs in 2011 without significant reductions. However, in the moderate and pessimistic forecasts, increasing expenditures in future years will substantially reduce fund balance, leaving the county with inadequate reserves for cash flow or the ability to respond to major unexpected needs.

**Under-expenditures:** Historically county agencies under-spend their general fund budgets 2% to 5%. Under-expenditures are generally related to not filling vacancies and reductions in travel, equipment, supplies and other expenses. In 2010, once the year has closed, actual expenditures are expected to be \$2.5 million below the budget, approximately 3%. Under-expenditures are not anticipated to continue at this level in future years – at some point, broken equipment must be replaced, supplies must be purchased and vacancies must be filled in order to continue to deliver services in a timely and efficient manner. This forecast assumes expenditures in future years will be 2% below budget.

**Salary Adjustments:** In Thurston County, salaries are the largest cost in the general fund budget. Total salaries normally increase each year by approximately 3% through step increases and other salary adjustments for employees. In 2010, the amount of salaries was very close to 2009 due to layoffs and vacancies.

Current labor contracts include a cost of living adjustment (COLA) for employees. The amount of the COLA in current labor contracts is the June year-over-year change in the Consumer Price Index (CPI) in the Seattle market area for urban wage earners and clerical workers. Labor contract negotiations are on-going; the final agreements for COLAs are unknown at this time. For the purpose of this forecast, it is assumed current language will continue.

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The Washington State Economic and Revenue Forecast Council predicts the annual change in the Seattle CPI will be 1.9% in 2011, 1.8% in 2012 and 2.0% in 2013.<sup>10</sup> However, the Council predicts a different CPI change rate than the one used for Thurston County employee COLAs, and the amount varies unpredictably.

**Moderate Forecast:** The moderate forecast assumes 3% for normal salary adjustments, and annual cost of living adjustments using the Forecast Council's prediction of CPI for 2012 and 2013. The total salary costs are as follows:

2009 Actual:	\$39,710,000
2010 Actual:	\$39,721,000
2011 Estimate:	\$42,239,000
2012 Projection:	\$44,267,000
2013 Projection:	\$46,480,000

**Optimistic Forecast:** In the optimistic forecast, the economy is recovering at a moderate growth rate in 2011 and picking up in future years. The optimistic forecast assumes 3% for normal salary adjustments. In an improving economy, the inflation rate will be higher than in a sluggish economy, but not extremely high. In this scenario, the CPI might be 3% per year.

2009 Actual:	\$39,710,000
2010 Actual:	\$39,721,000
2011 Estimate:	\$42,239,000
2012 Projection:	\$44,773,000
2013 Projection:	\$47,460,000

**Pessimistic Forecast:** The pessimistic forecast assumes the economy will continue to be stagnant in future years. This forecast scenario assumes 3% for normal salary adjustments. In a stagnant economy, inflation is low. In this scenario, the CPI might be 0 in 2012 and 1% in 2013.

2009 Actual:	\$39,710,000
2010 Actual:	\$39,721,000
2011 Estimate:	\$42,239,000
2012 Projection:	\$43,506,000
2013 Projection:	\$45,247,000

**Employee Benefits:** Employee benefits are between 26% and 30% of the cost of salaries. Most benefits are computed as a percentage of salaries. Excluding medical benefits, the cost of employee benefits in this forecast is approximately 16% of salary cost.

The major driver in the increasing cost of employee benefits is medical inflation. In September 2010 the Public Employee Benefits Board predicted medical inflation in the next three years will range between 11% and 13%; it is anticipated that once federal health care reform is fully implemented medical inflation will decrease.

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<sup>10</sup> Washington State Economic and Revenue Forecast, November 2010, Washington State Economic and Revenue Forecast Council, page 81

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Moderate Forecast: The moderate forecast assumes medical benefits will increase 11% per year, plus the increased cost of other benefits in proportion to salary increases. The total benefit costs are as follows:

2009 Actual:	\$13,025,000
2010 Actual:	\$12,759,000
2011 Estimate:	\$14,471,000
2012 Projection:	\$15,720,000
2013 Projection:	\$17,085,000

Optimistic Forecast: The optimistic forecast scenario assumes medical benefits will be closer to the growth assumed in the Governor’s 2011-13 Biennium budget proposal, 6% per year, plus the increased cost of other benefits in proportion to salary increases.

2009 Actual:	\$13,025,000
2010 Actual:	\$12,759,000
2011 Estimate:	\$14,471,000
2012 Projection:	\$15,202,000
2013 Projection:	\$15,971,000

Pessimistic Forecast: The pessimistic forecast scenario assumes medical benefits will increase 13% per year, plus the increased cost of other benefits in proportion to salary increases.

2009 Actual:	\$13,025,000
2010 Actual:	\$12,759,000
2011 Estimate:	\$14,471,000
2012 Projection:	\$15,975,000
2013 Projection:	\$17,646,000

**Federal Recovery Act Grants:** In 2009 and 2010, Thurston County received federal funding through the American Reinvestment and Recovery Act (ARRA). Revenue in the general fund in 2010 was \$700,000 from ARRA grants. The 2011 budget include \$435,000 of the remaining ARRA funding. It is anticipated that when the grants end, activities funded by the grants will also end.

**Policy Level Items:** This forecast assumes no increases in county services. County agencies will be given the opportunity to request funding considered necessary to meet the needs of an increasing population. If requests are funded, the increased costs will reduce the fund balance estimated in the forecast in all years.

Three specific major needs were addressed in the 2011 policy level budget: cars for patrol officers in the Sheriff’s Office, maintenance and the establishment of a building reserve account for the new Accountability and Restitution Center, and the need to continue services in Public Health and Social Services.

Patrol Cars: In order to save money in lean times, the Sheriff’s Office extended the life of patrol cars. County officers depend on their cars – cars that break down prevent officers from performing their duties and create potential safety hazards for the drivers. The patrol fleet is aging to a point where

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some cars are a potentially dangerous to drive and must be replaced. In the 2011 budget, \$400,000 was allowed to replace the cars. The fleet will continue to age, and there are currently no payments going into a reserve account to replace patrol cars. Future budgets will assess the need for additional funds for this purpose.

ARC Maintenance: At the time of this forecast construction of the Thurston County Accountability and Restitution Center, the new county adult corrections facility is substantially complete. Unfortunately, the county cannot afford the increase in staff necessary to open and operate the new facility in 2011. The county is currently exploring options on how the facility can best be used until we are able to afford to move correction operations to the ARC. The 2011 budget includes the minimum cost to maintain the building and equipment, \$435,000, and assumes the rising cost of maintenance in future years.

Public Health and Social Services: The Public Health and Social Services department is responsible for managing many funds that support affordable housing in Thurston County. Funding for housing has strict and very low limitations on administrative expenses. A transfer of \$58,000 from the general fund is necessary to manage these complex funds.

Public Health and Social Services is already experiencing the effects of state budget cuts for programs that support dental health, safe drinking water and minimizing health risks of solid waste. To minimize reductions to services, the department reduced staffing and other administrative costs and the county transferred \$353,000 to the Public Health Account.

More state budget cuts are on the horizon and will impact county services. Policy choices must be made on whether the county can afford to continue to maintain services at current levels. The depth of the reductions and the services at risk will not be known until the legislature adopts a budget in the spring.

**The Thurston County General Fund Four Year Financial Outlook will be published in February, July and November. This report is available on the county website:**

<http://www.co.thurston.wa.us/budget/>

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**Four Year Outlook for the Thurston County General Fund**

*Dollars in Thousands*

**Moderate Forecast Scenario**

	2009	2010	2011	2012	2013
<b>Beginning Balance</b>	<b>6,301</b>	<b>7,039</b>	<b>11,675</b>	<b>10,733</b>	<b>8,817</b>
<b>REVENUES</b>					
Taxes, Fees, Fines and Permits	47,452	51,187	51,244	51,502	52,345
Increase property tax levy 1%				311	317
Add property taxes for new construction				284	284
Adjust sales tax revenue			258	248	253
Intergovernmental	8,734	9,485	11,150	11,150	10,605
Less Recovery Act revenue				(435)	
Less state grants and awards				(110)	
Transfers	5,836	6,364	6,864	6,864	6,864
Other Revenue	12,102	10,736	10,449	10,449	10,449
<b>TOTAL REVENUE</b>	<b>74,124</b>	<b>77,772</b>	<b>79,965</b>	<b>80,263</b>	<b>81,117</b>
<b>EXPENDITURES</b>					
Baseline estimated expenditures	73,386	75,656	78,676	80,907	82,179
Less under-expenditures		(2,520)	(1,574)	(1,618)	(1,644)
Less Recovery Act expenditures				(435)	
Certain Maintenance Level Adjustments					
Salary Adjustments			1,493	2,050	2,241
Estimated increase in medical costs			572	838	930
Estimated increase in other benefits			494	411	436
Certain Policy Level Adjustments					
Patrol cars			400		
ARC maintenance & building reserve			435	25	25
Transfer to Public Health & Social Service			411		
<b>TOTAL EXPENDITURES</b>	<b>73,386</b>	<b>73,136</b>	<b>80,907</b>	<b>82,179</b>	<b>84,167</b>
<b>Ending Balance</b>	<b>7,039</b>	<b>11,675</b>	<b>10,733</b>	<b>8,817</b>	<b>5,768</b>

**REVENUE DEFINITIONS**

Intergovernmental includes awards and income from federal, state and other governmental jurisdictions.

Transfers includes diverted road funds, detention facilities sales tax, treatment sales tax and risk.

Other revenue includes interest income, misc revenues, external service and intra-agency service charges.

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*Dollars in Thousands*

**Optimistic Forecast Scenario**

	2009	2010	2011	2012	2013
<b>Beginning Balance</b>	<b>6,301</b>	<b>7,039</b>	<b>11,675</b>	<b>10,976</b>	<b>10,159</b>
<b>REVENUES</b>					
Taxes, Fees, Fines and Permits	47,452	51,187	51,244	51,745	53,516
Increase property tax levy 1%				310	316
Add property taxes for new construction				334	367
Adjust sales tax revenue			501	1,127	921
Intergovernmental	8,734	9,485	11,150	11,150	10,715
Less Recovery Act revenue				(435)	
Less state grants and awards				(110)	
Transfers	5,836	6,364	6,864	6,864	6,864
Other Revenue	12,102	10,736	10,449	10,449	10,449
<b>TOTAL REVENUE</b>	<b>74,124</b>	<b>77,772</b>	<b>80,208</b>	<b>81,434</b>	<b>83,149</b>
<b>EXPENDITURES</b>					
Baseline estimated expenditures	73,386	75,656	78,676	80,907	82,251
Less under-expenditures		(2,520)	(1,574)	(1,618)	(1,645)
Less Recovery Act expenditures				(435)	
Certain Maintenance Level Adjustments					
Salary Adjustments			1,493	2,572	2,729
Estimated increase in medical costs			572	457	484
Estimated increase in other benefits			494	343	360
Certain Policy Level Adjustments					
Patrol cars			400		
ARC maintenance & building reserve			435	25	25
Transfer to Public Health & Social Service			411		
<b>TOTAL EXPENDITURES</b>	<b>73,386</b>	<b>73,136</b>	<b>80,907</b>	<b>82,251</b>	<b>84,205</b>
<b>Ending Balance</b>	<b>7,039</b>	<b>11,675</b>	<b>10,976</b>	<b>10,159</b>	<b>9,103</b>

**REVENUE DEFINITIONS**

Intergovernmental includes awards and income from federal, state and other governmental jurisdictions.

Transfers includes diverted road funds, detention facilities sales tax, treatment sales tax and risk.

Other revenue includes interest income, misc revenues, external service and intra-agency service charges.

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*Dollars in Thousands*

**Pessimistic Forecast Scenario**

	2009	2010	2011	2012	2013
<b>Beginning Balance</b>	<b>6,301</b>	<b>7,039</b>	<b>11,675</b>	<b>10,270</b>	<b>8,293</b>
<b>REVENUES</b>					
Taxes, Fees, Fines and Permits	47,452	51,187	51,244	51,039	51,585
Increase property tax levy 1%				312	318
Add property taxes for new construction				234	234
Adjust sales tax revenue			(205)	-	238
Intergovernmental	8,734	9,485	11,150	11,150	10,605
Less Recovery Act revenue				(435)	
Less state grants and awards				(110)	
Transfers	5,836	6,364	6,864	6,864	6,864
Other Revenue	12,102	10,736	10,449	10,449	10,449
<b>TOTAL REVENUE</b>	<b>74,124</b>	<b>77,772</b>	<b>79,502</b>	<b>79,503</b>	<b>81,479</b>
<b>EXPENDITURES</b>					
Baseline estimated expenditures	73,386	75,656	78,676	80,907	81,479
Less under-expenditures		(2,520)	(1,574)	(1,618)	(1,630)
Less Recovery Act expenditures				(435)	
Certain Maintenance Level Adjustments					
Salary Adjustments			1,493	1,267	1,753
Estimated increase in medical costs			572	990	1,119
Estimated increase in other benefits			494	343	360
Certain Policy Level Adjustments					
Patrol cars			400		
ARC maintenance & building reserve			435	25	25
Transfer to Public Health & Social Service			411		
<b>TOTAL EXPENDITURES</b>	<b>73,386</b>	<b>73,136</b>	<b>80,907</b>	<b>81,479</b>	<b>83,107</b>
<b>Ending Balance</b>	<b>7,039</b>	<b>11,675</b>	<b>10,270</b>	<b>8,293</b>	<b>6,666</b>

**REVENUE DEFINITIONS**

Intergovernmental includes awards and income from federal, state and other governmental jurisdictions.

Transfers includes diverted road funds, detention facilities sales tax, treatment sales tax and risk.

Other revenue includes interest income, misc revenues, external service and intra-agency service charges.