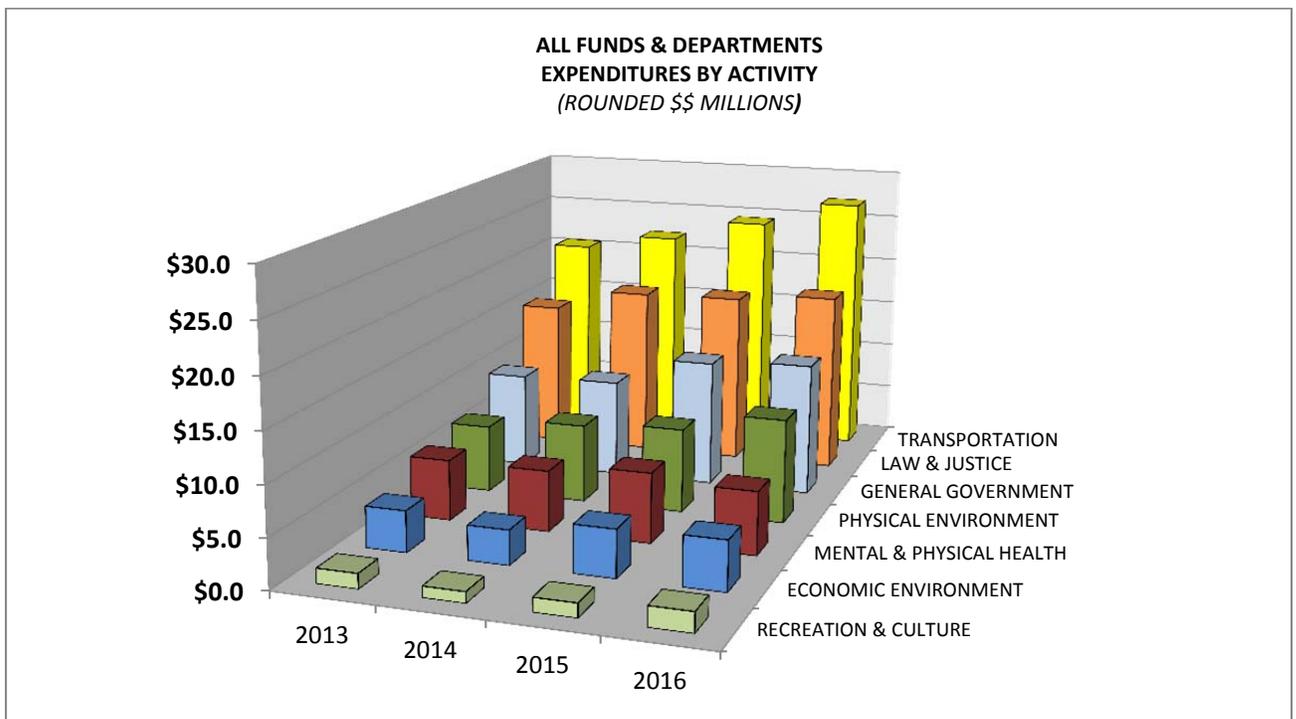




ISLAND COUNTY 2016 BUDGET SUMMARY

On December 7, 2015 following public hearing was adopted by the Board of Island County Commissioners. The 2016 Budget as adopted includes

- Additional funding \$704,000 for the Island County Jail, including 3 new corrections officers, increased supervision, improved access to medical and mental health services and additional training for jail personnel.
- Increased funding for Law & Justice including an additional patrol deputy and increasing to full time a paralegal position in the Prosecutor’s office
- Increased compensation for deputy prosecutors to improve retention of experienced employees
- An aggressive funding plan to address long deferred maintenance of county facilities funded by Real Estate Excise taxes
- Adopted Annual Construction Program for county roads totals \$7,962,800
- Continuing to invest in improving the County’s website presence and technology
- Contingencies for leave payouts upon separation and unsettled labor agreements
- Additional support for the 4-H Youth program and new funding for a WSU Extension Services small farm education program.
- Most positions funded in the 2015 budget by one-time uses of fund balance are moved into ongoing funding



Similar to past years, Transportation activities \$27.1 million (33%) lead the list of all money budgeted in 2016, followed by Law & Justice \$18.6 million (22%).

EXPENDITURES BY ACTIVITY Description	Prior Years Actuals		2015	2016	\$	%
	2013	2014	Budget	Budget	Chg	Chg
GENERAL GOVERNMENT	\$9,771,235	\$9,996,042	\$12,978,306	\$13,551,451	\$573,145	4%
LAW & JUSTICE	15,273,611	17,573,088	17,798,212	18,582,773	784,561	4%
PHYSICAL ENVIRONMENT	6,856,852	7,983,863	8,615,212	10,619,706	2,004,494	23%
TRANSPORTATION	20,462,799	22,132,657	24,375,048	27,061,236	2,686,188	11%
ECONOMIC ENVIRONMENT	4,150,052	3,488,158	4,837,116	5,013,035	175,919	4%
MENTAL & PHYSICAL HEALTH	6,244,187	6,190,897	7,071,379	6,372,083	-699,296	-10%
RECREATION & CULTURE	1,487,626	1,135,538	1,448,586	2,040,279	591,693	41%
TOTAL	\$64,246,362	\$68,500,243	\$77,123,859	\$83,240,563	\$6,116,704	8%

DEPARTMENTS

Assessor. The Assessor's budget maintains maintenance and operations at current levels, ensures adequate funding for education of accredited appraisal personnel and continued training for administrative staff. A contingency in the Current Expense fund is set aside to fund possible employee retirements. Funding is budgeted for including pages in the state voter's pamphlet that provide information on local elections.

Auditor. Due to the strong housing market, budgeted revenue for document recording fees is estimated at \$190,000, which is a 25% increase over 2015 estimates. Vehicle licensing fee collections are forecasted to increase to \$355,000 (12% increase). 2016 is a presidential election year and the Election Reserve fund contains sufficient reserves to absorb the increased costs without a higher contribution from the Current Expense Fund. Funding is budgeted to include pages in the state voter's pamphlet that will provide information on local elections.

Clerk (Superior Court). The budget for the Clerk's office includes one-time funding for a temporary position to help manage the backlog of off-site documents. State statutes set the rates for fees and fines. Revenue is anticipated to be at current year collections.

Coroner. A contingency amount (\$5,000) is established to provide on-call weekend assistance for the Coroner. Approval is included for replacement of a truck (\$35,000 in Motor Pool budget).

District Court. State statutes establish the rates for fees and fines collected in District Court and District Court Probation. Revenue is anticipated to be similar to current year collections. Additional funding is provided for increased training and probation software and replacement of recording equipment in a courtroom.

Facilities Management. Additional funding increases custodial capacity at the Camano Annex. Also included is additional funding to cover known increases in utility rates \$40,000 (10% increase). Over \$1 million of Real Estate Excise Tax revenue will be used to fund an aggressive plan to address long overdue deferred maintenance of county owned buildings and structures, and Phase 2 of the Facilities Master Plan. The County's commitment to provide \$30,000 annual funding for improvements at the County Fairgrounds is also budgeted.

General Services Administration. Major programs included in GSA's budget are Animal Shelters, Board of Equalization, Public Defense, Risk Management and Conservation Futures.

- In fall 2015, responsibility for animal control was transferred under the Sheriff's office. GSA retained administration of the animal shelter contracts with Whidbey Animal Improvement Foundation (WAIF) and Camano Animal Shelter Association (CASA). WAIF relocated into its own facility. No increase in the contracts' amount is budgeted.

- The Public Defense contract negotiated in 2014 is a 3 year contract beginning in 2015 and there is no increase in the annual contract amount.
- The County is a member of the Washington Counties Risk Pool which is formed under an inter-local government agreement to jointly share the costs of providing liability insurance to its member organizations. A 4% increase in insurance costs is forecasted.
- The Conservation Futures program is funded by a property tax levy. A 1% increase in the levy limit and amount is included in the budget. This fund's budget also includes funding for awards approved in 2014 that will be funded in 2016.

Human Resources. Currently, the County is unable to accept applications for employment online, which hinders recruitment of qualified applicants. To improve the County's recruitment process, funding for a new software program providing online employment applications (\$17,000) is included in the Technology budget.

Human Services. The Human Services department provides services for substance abuse prevention, mental health, chemical dependency, developmentally disabled, senior and housing assistance programs.

- Funding for Senior Services of Island County will remain at current levels. \$152,435. Island County's contribution is used to help provide Meals-On-Wheels and as local matching dollars for federal grants.
- State funds Housing programs are only estimates because the State has not yet finalized its contributions to local programs. The WA State Department of Commerce is changing its focus from prevention to finding housing for those who are literally homeless which could make a difference on the local level. \$889,650 of local funds from document recording fees and approximately \$243,000 grants are budgeted.
- Approximately \$207,000 of local property tax dollars are used in combination with \$193,000 state and federal funding for the mental health services. Mental Health funds are used to continue a 20-hour per week mental health professional in the County Corrections Facility.
- Mental health sales taxes are used to fund mental health outreach programs in schools,
- Earmarked funds (approximately \$150,000) for the indigent Veterans' Assistance program will be transferred into the Veterans Assistance Fund from the County Current Expense Levy.
- Publically funded mental health and substance use disorders services will be integrated and administered by a 5-county regional behavioral health organization (North Sound Behavioral Health Organization) which includes Island County. This change will impact the 2016 budget. Known changes are included; however, some decisions have not been made about whether certain funds will remain at the county level or transition to the newly formed behavioral health organization.

Information Technology. The 2016 budget continues the website improvement project with funding for content migration from the existing, antiquated website (\$57,000). The IT budget continues budget capacity for infrastructure and hardware replacements, including \$30,000 for upgrading to Exchange 2013.

Natural Resources. The Water Quality Monitoring program continues to be funded through the Clean Water Utility (\$216,000). The budget assumes continued financial support by Puget Sound Partnership and the WA State Recreation & Conservation Office, and Northwest Straits Commission.

Planning & Community Development. Building Permit revenue estimates for 2015 were higher than actual activity. Therefore, building permit revenue for 2016 is slightly less. This reduction is offset by increases in revenue for other PCD services and charges. The budget contains additional funding for staffing level increases to continue customer service improvements. Funding for the GMA update is provided by a reserve of fund balance.

Prosecuting Attorney. The 2016 budget includes additional funding (\$32,000) for the Prosecutor's top priority for additional staffing, increasing the paralegal/receptionist position from 20-hours per week to a full-time

position. An estimated \$35,000 is included to improve retention of experienced deputy prosecutors by negotiating a revised salary table that increases compensation for more senior employees.

Public Health. The budget for Public Health funds current levels of services and programs. State and federal grants represent close to a third of the budgeted revenue. Permit revenue (\$258,000) associated with new construction, is 17% higher (\$38,660) than the current year’s budget. Operating support from the Current Expense fund has increased by \$170,000. This additional funding will

- Fund deficits in programs such Communicable Disease and Immunizations
- Offset loss of funding from the Department of Ecology’s Coordinated Prevention Grant
- Increase capacity for customer service by adding an additional environmental health technician.
- The Hydrogeology program continues to be partially funded by Clean Water Utility fees.

Public Works. The Public Works Department encompasses County Roads, Paths & Trails, Drainage, Solid Waste, Parks, and Emergency Management divisions.

- The 2016 budgets for County Roads, Paths & Trails, and Drainage are predicated upon the 2016 Annual Construction Program (ACP) and 6-year Transportation Improvement Plan, both of which are adopted by the Board of County Commissioners.
- The adopted ACP totals \$7,962,800, funded with local funds \$4,068,400 and remainder funded by state and federal assistance. Budgeted projects among others include Boon Road Improvements (\$1,750,000), Crescent Harbor resurfacing (\$866,000), various Countywide Road Safety Projects (\$839,000), Clinton Non-Motorized improvements (\$140,000), and Freeland Trail Segment 1 (\$707,000), Road equipment purchases are budgeted at \$950,000.
- The County Road Property Tax Levy limit and increase are 1%.
- Clean Water Utility Fees fund surface water drainage projects.
- Revenue derived from Solid Waste collection sites and the septage plant total \$6.2 million which is a 3% increase over the current budget. Solid Waste Rates are currently being reviewed.
- Parks operations and maintenance are funded by Real Estate Excise Taxes (\$501,000). Included is additional funding (\$29,000) to increase Parks staffing levels on both Camano and Whidbey Islands.
- Emergency Management budget includes a recently approved 20 hour per week position funded by grants.

Sheriff & Jail. Additional funding to hire 1 new patrol deputy (\$92,000 including training and equipment) is approved. \$270,000 is budgeted in the Motor Pool to replace 6 patrol vehicles, as requested by the Sheriff. Additional funding for Jail improvements total \$703,000, including 3 additional corrections officers, newly created Sergeant positions, additional medical, mental health and crisis response training for staff, increased medical and mental health services available to inmates, and an upgrade to the facility’s camera system.

JAIL IMPROVEMENTS - DESCRIPTION	2016 BUDGET	ANNUAL INCREASE
INCREASED SUPERVISION 3 additional corrections officers, including newly created Sergeant positions	\$288,000	\$288,000
TRAINING Additional medical, mental health and crisis response training for staff	37,250	36,250
MEDICAL SERVICES ARNP model increases medical services available to inmates	226,000	123,000
ELECTRONIC MEDICAL RECORDS SOFTWARE SUBSCRIPTION	2,100	2,100
MENTAL HEALTH SERVICES Mental Health services available approx. 20 hours per week	20,000	20,000

JAIL IMPROVEMENTS - DESCRIPTION	2016 BUDGET	ANNUAL INCREASE
SECURITY CAMERA UPGRADES	198,900	198,900
FOOD SERVICE CONTRACT	203,000	22,195
KITCHEN IMPROVEMENTS	13,400	13,400
TOTAL	\$988,650	\$703,845

Superior & Juvenile Courts. Additional funds are budgeted to replace courtroom recording equipment. A contingency (\$30,000) is set aside for the possible augmentation of the Court Facilitator Program.

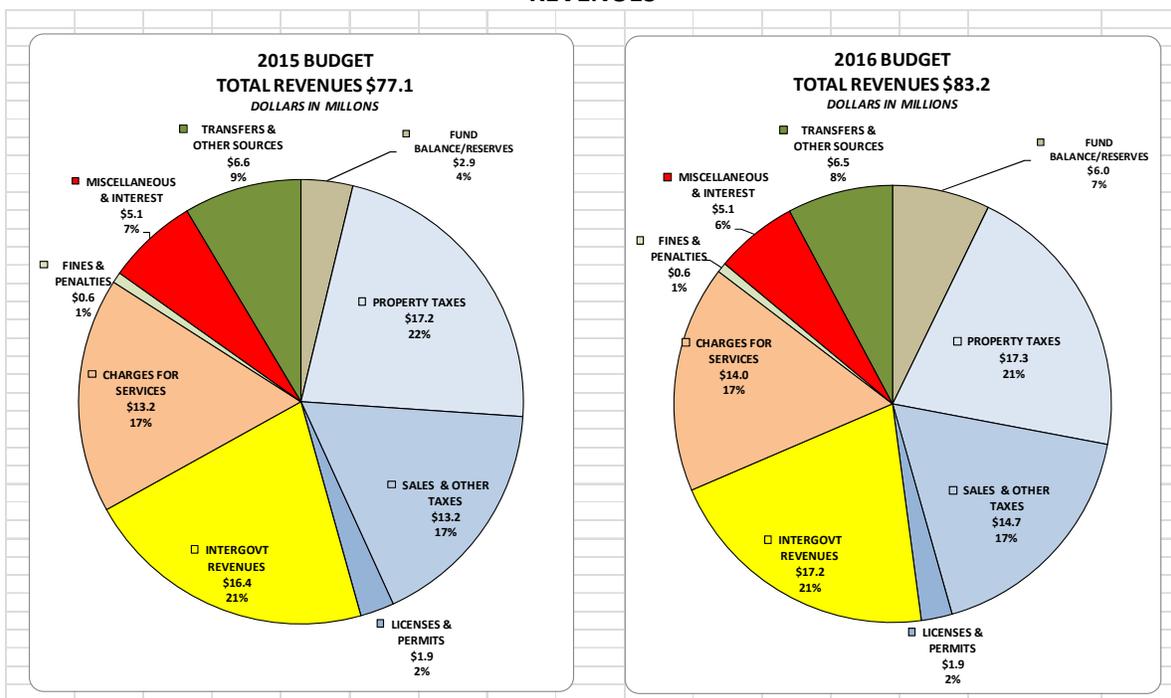
Treasurer. Anticipated interest earnings from investments is budgeted at the same level as the current year (\$550,000) based upon the current investment market. \$2,800 in funding for the Treasurer’s request to include return envelopes with the tax statements and also sending a reminder post card in August for unpaid property taxes. Funding (\$5,500) is also provided for scanning of real estate excise tax affidavits from 2005-2010.

WSU Extension Services. County funding to support Extension Services programs will increase \$29,887 in 2016. Total contribution by the Current Expense fund will be \$158,298.

- Weed control funding \$27,801, which is a \$4,349 increase
- 4-H Youth program \$24,384, which is a \$14,384 increase in order to provide 100% of the 4-H coordinator salary. WSU will continue to fund benefits.
- Shore Stewards program \$9,651, which is a \$1,151 increase
- Master Gardeners program \$7,280 which is a \$2,280 increase

WSU Extension Services will develop a Small Farm Education program that will include programming to increase productivity, profitability, and best management practices, especially as they relate to minimizing or eliminating impact on water quality, and environmentally sensitive and critical areas. County financial support for this new endeavor is \$12,134. The Forest Management Education will become an online educational program in 2016.

REVENUES



Description	Prior Years Actuals		2015	2016	\$	%
	2013	2014	Budget	Budget	Chg	Chg
REVENUES						
PROPERTY TAXES	\$16,811,565	\$16,633,700	\$17,230,420	\$17,282,259	\$51,839	0%
SALES & OTHER TAXES	12,366,229	13,027,285	13,220,326	14,739,662	1,519,336	11%
LICENSES & PERMITS	1,636,369	1,801,766	1,917,340	1,869,380	-47,960	-3%
INTERGOVERNMENT REVENUES	15,556,435	18,147,450	16,397,661	17,156,400	758,739	5%
CHARGES FOR SERVICES	13,037,144	13,335,315	13,162,595	13,978,498	815,903	6%
FINES & PENALTIES	540,563	605,880	584,440	598,450	14,010	2%
MISCELLANEOUS & INTEREST	3,015,922	5,007,775	5,052,599	5,055,065	2,466	0%
TRANSFERS & OTHER SOURCES	5,116,779	6,261,035	6,648,993	6,516,302	-132,691	-2%
TOTAL REVENUES	68,081,006	74,820,206	74,214,374	77,196,016	2,981,642	4%
USES OF FUND						
BALANCE/RESERVES			2,909,485	6,044,547	3,135,062	108%
TOTAL	\$68,081,006	\$74,820,206	\$77,123,859	\$83,240,563	\$6,116,704	8%

Property Tax levies. Property tax levy ordinances were adopted following public hearing on December 7. All three ordinances include increases due to new construction and refunds. The ordinances authorized the following levy increases:

Levy	% Increase	Amount
County Current Expense	0.251%	\$20,107
County Road	1.000%	\$83,948
Conservation Futures	1.000%	\$ 6,196

Sales Taxes. Sales taxes increases are based upon 10% in the current year, and 10% in 2016. Island County finances are highly dependent upon sales taxes. The local economy has stabilized and shows increasing growth.

SALES TAXES	Prior Years Actuals		Year to	2015	2016	\$	%
	2013	2014	Date @	Budget	Budget	Chg	Chg
LOCAL BASIC & OPTIONAL	\$4,514,445	\$4,855,890	10/31/2015	\$5,157,000	\$5,822,605	\$665,605	13%
CRIMINAL JUSTICE	564,843	598,617		645,000	600,000	-45,000	-7%
RURAL COUNTY ECONOMIC DEVEL	715,296	753,854		845,000	892,000	47,000	6%
MENTAL HEALTH/THERP COURTS	788,553	832,452		890,000	983,000	93,000	10%
JUVENILE DETENTION	788,674	833,129		890,000	983,064	93,064	10%
TOURISM	350,057	384,808		393,126	416,593	23,467	6%
TOTAL	\$7,721,868	\$8,258,750		\$8,820,126	\$9,697,262	\$877,136	10%

Island County sales tax revenue per capita lags behind the statewide average. Therefore the County continues to be eligible for HB6050 funding (\$568,000) which is a form of sales tax equalization to distribute additional funding to counties whose residents shop in neighboring jurisdictions.

Real estate excise taxes (REET) are restricted revenue that can only be used for maintenance and construction of capital facilities. Real estate excise taxes are charged on all real estate sales and the County collects one-half percent of the sale price. (The state rate is 1.28 percent.) Current year revenue estimates were conservative and actual REET revenue realized is 21% more than originally budgeted. Given the strong housing market, it is anticipated that REET revenue will total \$2.5 million in 2016. As in previous years, approximately \$501,000 of this revenue will be used to fund the Island County Parks program.

Building Permit revenue estimates for 2015 were higher than forecasted actual receipts. Therefore, building permit revenue for 2016 is slightly less. This reduction is offset by increases in revenue for other PCD services

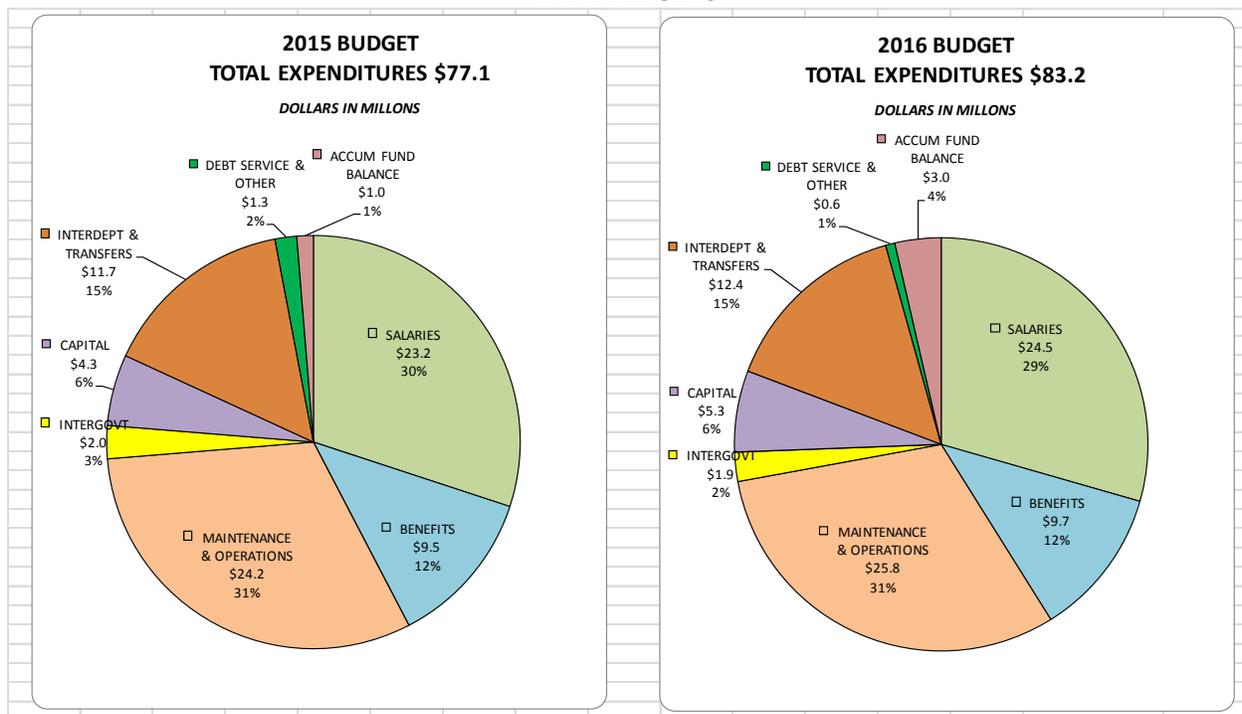
and charges. The preliminary budget contains additional funding for staffing level increases to continue customer service improvements.

PLANNING & COMMUNITY DEVELOPMENT	Prior Years Actuals		Year to Date @ 10/31/2015	2015 Budget	2016 Budget	\$ Chg	% Chg
	2013	2014					
PCD PERMITS	\$933,362	\$1,045,171	\$1,018,612	\$1,208,750	\$1,125,000	\$83,750	-7%
PCD CHARGES FOR SERVICE	462,715	630,812	533,169	588,715	679,038	90,323	15%
TOTAL	\$1,396,077	\$1,675,983	\$1,551,781	\$1,797,465	\$1,804,038	\$6,573	0%

Intergovernmental revenue includes state shared funding such as Capron funds, sales tax equalization, and criminal justice funds. It also includes state and federal assistance grants that usually require matching funds.

Transfers. Current Expense Fund Overhead Service charge rate 6.45%. This is a charge that spreads the cost of internal services to all county funds where possible. A detailed schedule of transfers is included.

EXPENDITURES



Description	Prior Years Actuals 2013	2014	2015 Budget	2016 Budget	\$ Chg	% Chg
EXPENDITURES						
SALARIES	\$20,625,149	\$21,743,849	\$23,224,351	\$24,499,148	\$1,274,797	5%
BENEFITS	7,524,203	7,951,929	9,466,633	9,718,341	\$251,708	3%
MAINTENANCE & OPERATIONS	21,310,164	23,485,539	24,181,197	25,766,302	1,585,105	7%
INTERGOVERNMENT	3,441,284	2,063,114	1,973,512	1,923,602	-49,910	-3%
CAPITAL	763,404	474,523	4,335,291	5,316,060	980,769	23%
INTERDEPT & TRANSFERS	9,257,713	11,175,379	11,717,561	12,369,790	652,229	6%
DEBT SERVICE & OTHER	1,324,445	1,605,910	1,272,433	601,997	-670,436	-53%
TOTAL EXPENDITURES	64,246,362	68,500,243	76,170,978	80,195,240	4,024,262	5%
ACCUMULATION OF FUND BALANCE			952,881	3,045,323	2,092,442	220%
TOTAL	\$64,246,362	\$68,500,243	\$77,123,859	\$83,240,563	\$6,116,704	8%
Revenues Over(Under) Expenditures	\$3,834,644	\$6,319,963	\$0	\$0	\$0	

Salaries & Benefits. Funding for 1% COLA and salary study increases for Non-represented employees are included. The County is in the process of negotiating labor agreements with all 6 labor unions. Contingency amounts are included.

The overall cost of providing medical insurance to employees is projected to increase \$401,000 (8%). A portion of this increase \$130,000 is attributed to a 3% increase in medical, with the remainder of the estimated increase attributed to changes in coverage levels and because a significant number of vacant positions for budget purposes are estimated at the highest level of coverage. The projected cost in medical insurance is partially offset by reduced estimates in other benefits such as L&I and unemployment insurance.

Funding is provided for increased hours for 6 existing positions. 9 new positions are added, and two-thirds of the new positions increase staffing in Law & Justice offices. Approximately 420 FTEs are budgeted for 2016, which is a 10.25 FTE increase over the 2015 FTE budget.

DEPARTMENT	ADDITIONAL PERSONNEL
Clerk	Part Time Temporary Position To Help Manage Backlog Of Off-Site Documents
GSA Camano	Increase Camano Front Counter Position By 4 Hours So That Front Counter Is Open Same Hours As PCD & Health
Health	Environmental Health Technician. Provide Customer Support For Environmental Health Programs And Allow Both The Accounting Support Assistant And Deputy Registrar To Work Full-Time In Their Respective Sections
Planning	Continue On-Call Building Inspector/Plans Examiner (1040 Hours) Funded By Permit Fee Revenue
Planning	Add 1.0 FTE Administrative Asst. To Help Existing Staff With GMA Update (Estimate 2 Yr. Position)
Planning	Additional Hours For Permit Tech/Admin Asst. From .5 FTE To .8 or 1.0 FTE To Continue Improvements In Front Counter And Telephone Customer Service
Prosecutor	Increase Criminal Division Paralegal From .5 FTE To 1.0 FTE
Parks	Four Springs Event Coordinator Increase By 4 Hours Per Week - Funded By Additional Revenue
Parks	Increase Parks Seasonal (9 Mos. Whidbey) To 12 Mos.
Parks	Add 5 Mo. Temporary On Camano
Sheriff-Criminal	1 Patrol Deputy
Sheriff-Corrections	Increase Supervision Level -- Promotions To Sgt.
Sheriff-Corrections	Increase Staffing In Jail -- 3 Additional Corrections Officers
Superior Court	Increase Court Facilitator Services By Adding Another .5 Position Or Increase Current Position To Full Time (2 Yr. Duration)
Superior Juvenile Courts	Add .5 FTE Juvenile Detention Officer

M&O and capital expenditures total \$31.1 million which is a \$2.6 million increase over the 2015 budget, due to scheduled county road projects and an aggressive plan to address deferred maintenance in county facilities. Funding used to finance county road projects is a combination of local funds and state and federal grants. Facilities maintenance projects are funded by real estate excise taxes.

Debt Service. Debt payments are reduced by over \$600,000 due to the early redemption of the 2005 bonds.

FUND BALANCES & RESERVES

Fund Balance is similar to a savings account and includes both cash & non-cash items. It is normally used to fund costs with a limited duration. Fund balance provides operating cash when there is a disparity between when resources become available and making payments. The use of some revenue streams is restricted by law. Fund balance can be used to set aside funds for disasters, economic downturns, capital equipment needs, and future liabilities. Annually, as part of the budget process, the Board of County Commissioners reviews the amount of fund balance retained in each fund, and determines the level of reserves needed.

Use of fund balance is budgeted to double to approximately \$6.0 million. County Road’s budget includes \$1.5 million for road projects and Solid Waste sets aside \$1.6 million for partial funding septage plant improvements. The budget for capital facilities will use \$525,000 to partially fund deferred maintenance in county facilities. Human Services will use \$400,000 to partially fund housing programs.

Over \$1.0 million in fund balance is used in the Current Expense fund, which represents a 29% increase from 2015.

CURRENT EXPENSE FUND USES OF FUND BALANCE

Reserved/Committed	
Superior Court Facilitator	\$9,000
Parks Donation	10,000
Accrued Leave Annual Payouts	238,000
Growth Management	319,000
Technology	87,000
Total Use of Reserved/Committed	\$663,000
Unreserved	
Current Expense Contingency	\$150,000
Assessor For Potential Retirements	25,000
Coroner Equipment	5,000
2 Replacement Trucks	81,000
Sheriff	111,000
WSU	54,000
Total Use of Unreserved	\$426,000
Total Use of Reserved, Committed & Unreserved	\$1,089,000

As part of the annual review of Current Expense Fund Balance, the Board of County Commissioners increased committed fund balance available for the GMA Update and Equipment. A new amount is set aside to begin funding vehicles in the Motor Pool.

CURRENT EXPENSE FUND	2016 ESTIMATED BALANCE JAN. 1	BUDGETED USE OF RESERVES AND UNRESERVED FUND BALANCE	2016 ESTIMATED BALANCE DEC. 31
RESTRICTED			
COURT FACILITATOR FEES	\$35,921	-\$9,000	\$26,921
OTHER FEES ANIMAL CRUELTY	\$1,540		\$1,540
ASSIGNED	\$0		
DRUG COURT	\$6,025		\$6,025
COMMITTED	\$0		
DISASTER CONTINGENCY	\$2,200,000		\$2,200,000
TECHNOLOGY FEES	\$90,863		\$90,863
PARKS/BOAT LAUNCH FEES	\$18,215	-\$10,000	\$8,215

CURRENT EXPENSE FUND	2016 ESTIMATED BALANCE JAN. 1	BUDGETED USE OF RESERVES AND UNRESERVED FUND BALANCE	2016 ESTIMATED BALANCE DEC. 31
2 MONTHS OPERATING	\$4,000,000		\$4,000,000
PCD GMA PROCESS	\$1,200,000	-\$319,000	\$881,000
LEAVE LIABILITY & OTHER ACCRUALS	\$1,000,000	-\$238,000	\$762,000
EQUIPMENT / TECHNOLOGY	\$1,200,000	-\$87,000	\$1,113,000
MOTOR POOL	\$250,000		\$250,000
TOTAL RESERVED + ASSIGNED + COMMITTED	\$10,002,564	-\$663,000	\$9,339,564
UNASSIGNED	\$2,062,539	-\$426,000	\$1,636,539
TOTAL FUND BALANCE	\$12,065,103	-\$1,089,000	\$10,976,103