

CLALLAM COUNTY
GENERAL FUND PROPOSED 2023 BUDGET
BREAKDOWN OF PROPOSED 2023 BUDGET SURPLUS/(DEFICIT) VS 2022 PROJECTED DEFICIT
\$ IN 000s

		NOTES
TOTAL PROPOSED GENERAL FUND OPERATING SURPLUS/(DEFICIT)--2023 BUDGET	(1,325)	
TOTAL FORECASTED GENERAL FUND OPERATING SURPLUS/(DEFICIT)--2022 PROJECTED	(3,698)	
NET CHANGE IN GENERAL FUND OPERATING SURPLUS/(DEFICIT)--2023 BUDGET VS 2022 PROJECTED	2,373	

MAJOR COMPONENTS OF CHANGE IN OPERATING SURPLUS/(DEFICIT) FROM 2022 TO 2023:

INCREASE IN TAX REVENUE (SALES & USE, JUVENILE SERVICES, ETC)	597	Assumes Sales tax annual increase of +2% due to an assumed return to a more typical year-over-year growth rate after 2021 and 2022 which saw higher levels of stimulus and economic recovery driving sales tax growth of +22% in 2021 and 7.2% in 2022, and given the recession expected in 2023 as the Federal Reserve continues to raise interest rates to combat inflation. Property Taxes projected to grow 2.8% based on 1% levy growth allowed plus new construction.
DECREASE IN LICENSING & PERMITS REVENUE	-32	Mainly due to continued softening of building permit revenues following multiple years of strong permit activity and as interest rate hikes by the Federal Reserve continue to cool housing starts.
DECREASE IN INTERGOVERNMENTAL REVENUE	-5	Immaterial change, with \$133k growth in intergovernmental tax revenues offset by a \$149k decrease in other grant funds.
INCREASE IN GOODS & SERVICES REVENUE	672	Mainly due to partial recovery of certain COVID impacted revenue streams, including Sheriff Jail's gradual jail excess bed usage with DOC (+\$150k over forecasted 2022, but still budgeted at half of pre-COVID levels)), recovery of Jail Chain Gang Roads revenues negatively impacted in 2022 due to Jail staffing shortages, and increases interfund services provided to the HHS Foundational Public Health and other non-General Fund HHS funds by HHS Environmental Health (\$78k) & HHS Administration (\$130k). Also due to a \$46k increase in Fair gate receipt and carnival proceed revenues, \$96k in higher projected election services and passport revenues, and increases in other areas, as offset by a \$85k decrease in filing fees in Auditor's Office due to lower real estate filing volume trends.
INCREASE IN FINES & PENALTIES	78	Increase due to infraction downward trends observed earlier in 2022 stabilizing and improving in DC1 & DC2 in 2023.
INCREASE IN MISC REVENUE	1,598	Increase mainly due to a \$1,387k increase in interest income due to significant increases in interest rates that have occurred beginning 2022 as the Federal Reserve has begun significantly increasing interest rates to cool inflationary pressures seen across the US Economy, as well as the assumed increase use of short-term US treasuries by the Treasurer's Office to aid in a more rapid yield recovery in the County's investment portfolio. Fixed income yields are expected to increase from sub .5% in early-mid 2022 to average yields of 5% in 2023. Increase is also due to projected increases in parks camping fee rates, and a new HHS Environmental Health operating assessment revenue (\$276k).
DECREASE IN TIMBER REVENUE	-69	Decrease based on current DNR 2023 preliminary forecast.
INCREASE IN TRANSFERS IN	6,088	Primarily due to a \$4.683 million increase in Transfer In from the Lower Dungeness Floodplain project as almost all heavy construction of phase 2 of the project is concluded by the end of 2022 and grant reimbursements for these costs are received and remitted to the General Fund to reimburse it for all prior working capital transfers provided to this project since inception. \$1.65 million in higher Transfers In from the Dungeness Off Channel Reservoir is also reflected based on revised cash flow projections for this project. Also due to \$125k Transfer In from the VRF boat programing for bridge funding to be provided for the purchase of a replacement Sheriff boat that will be covered under a reimbursement grant. Offsetting these increases is a \$370k decrease in Transfers In from HHS relating the return in 2022 of funding provided to Serenity House relating to a facility expansion project that was subsequently covered by a grant.
INCREASE IN PAYROLL	-3,320	Increase due to base budget assuming all positions staffed per current policy (vs savings from position darktime)--see below for estimated dark-time projected underspend. When adjusted to reflect \$1.438 million of historic darktime budget underspend, payroll is projected to increase approximately \$1.867 million, or 8.2%, from 2022 to 2023 which reflects increases due to 2.5-3% COLAs for the various bargaining units, pay increases beginning July 2022 relating to the Prosecuting Attorney collective bargaining renewal, the addition of accreditation pay and pay scale restructuring for patrol/corrections following completion of new collective bargaining agreements, and step increases, as partially offset by savings due to turnover that occurred in 2022. Increase is also due to additional 3.5 FTEs requested in the areas of Sheriff Operations (1 FTE patrol deputies--\$129k), BOCC Administrator (\$100k), PT Voter Registration Specialist in Auditor's Office (\$33k), DCD (1 FTE Deputy Director--\$122k), and funds set aside for cross-training for anticipated retirements in the Sheriff's Office, and Treasurer's Office.
INCREASE IN BENEFITS	-1,793	Increase due to base budget assuming all positions staffed--see below. When adjusted to reflect \$0.660 million of historic darktime budget underspend, benefits are projected to increase approximately \$1,132k, or 12.2%, from 2022 to 2023 , with this increase reflecting the increase in payroll costs outlined above, the \$50 per month County-paid health premium increases and longevity-based medical premium pay that take effect in January each year under the new collective bargaining agreements completed in July 2021/2022 and the addition of 3.5 FTES outlined above. This increase is also due to a significant increase in worker's compensation rates needed to reflect the higher claim's costs incurred over the past several years.
DECREASE IN TRANSFERS OUT	1,244	Primarily due to \$3.4 million decrease in Transfers Out to the Lower Dungeness Floodplain project as the bulk of Phase 2 construction work concludes by the end of 2022. a \$405k decrease in transfers to HHS Operations and \$9k decrease in transfer to the Law Library. Partially offsetting these decreases are a \$175k increase in PFF and \$202k increase in IT Capital Projects funds transfers reflecting the capital outlays slated for 2023, an \$2,046k increase in working capital transfers out made to the grant-funded Dungeness Reservoir to fund the estimated \$2.2 million acquisition cost of the build site assumed in Q1 2023, the continuance of design work, and commencing of conveyance-related construction work in the 2nd half of 2023 (note that \$1.65 million of these funds are budgeted to be returned to the General Fund once grant reimbursements for the land acquisition are received). Additionally higher transfers related to the Sheriff's Department's VRF Boating Program acquisition of grant-funded replacement boat of \$170k, the Veteran's Relief program (+\$70k), and PW-Flood Control (+\$24k).
INCREASE IN SUPPLIES	-174	Mainly relating to IT-recommended SRF requests and other department requests for increased supplies needs proposed for approval as outlined in the "2023 Department Requests Over Base Recommended Budget", and projected 2022 underspend to budget.

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INCREASE IN SERVICES	-1,583	Increase driven by a \$304k increase in DCD--Environmental Quality Salmon Recovery services tied to additional fish barrier removal grant funds received, \$94k in higher IT network router, software renewal, ESRI maintenance and full year Microsoft Office 365 costs, \$133k in higher HHS Environmental Health On-Site Services and Drinking Water services funded through new OSS and Foundational Public Health funds, \$120k in higher anticipated Indigent Defense costs, and due to projected \$552k underspend to budget within Services in 2022, as offset by \$87k decrease in Superior Court expert witness and other costs associated with the conclusion of the last of 2018-2019 multiple-homicide cases in 2022. Increase also reflects approx. \$349k of recommended 2023 Department Requests, including <u>Auditor</u> (+\$50k --relating to County's assumption of printing & binding costs for Voter Pamphlets that was previously paid by the State); <u>DCD Environmental Health</u> (\$22k mainly relating to developing of a monitoring strategy for the Lower Dungeness); <u>GIS</u> (\$31k relating to ESRI costs); <u>HR</u> (\$45k for expanded job posting advertising), <u>Sheriff</u> (\$19k), <u>Prosecuting Attorney</u> (\$22k--mainly relating to higher witness and expert witness costs); <u>Parks Fair & Facilities</u> (\$66k--relating mainly to higher repairs & maintenance costs of facilities, parks and fairgrounds, and increased fair entertainment and advertising costs to drive more visitorship, and <u>Superior Court</u> (\$53k relating to part time contracted court facilitator, guardian at litem services costs), and other increases, as offset by a \$131k reclassification of certain office, land and other leases from Services to Debt Service.
INCREASE IN DEBT SERVICE COSTS	-131	Due to a change in accounting for certain of the County's leases that are 1 year or more in duration, lease rental costs are required to be accounted for as debt service costs rather than as a Services cost (see corresponding decrease in Services noted above). Affects multiple departments with office, land and other qualifying leases, with most notable one being the Juvenile Services land lease with Port of PA.
INCREASE IN CAPITAL OUTLAYS	-537	See attached Schedule C Proposed 2023 Capital Outlay Budget schedule, with most of the increase attributable to additional Parks, Fair & Facilities outlays for upgraded tractor, mowing and UTV equipment, Sheriff vehicle replacements, additional of one patrol vehicle for planned new 1 FTE Patrol Deputy, and planned portable radio replacement plan.
REMAINING PROJECTED OPERATING DEFICIT--EXCLUDING CAPITAL TRANSFERS/PROPOSED DEPT REQUESTS	-261	Mainly due to increase in risk management insurance pool costs due to higher liability and property insurance premium costs.
TOTAL CHANGE IN GENERAL FUND OPERATING DEFICIT--PROPOSED 2023 BUDGET VS 2022 PROJECTED	2,373	
PROJECTED GENERAL FUND OPERATING DEFICIT--ADJUSTED FOR AVG COMP UNDERSPEND		
TOTAL GENERAL FUND OPERATING SURPLUS/(DEFICIT)--2023 PROPOSED BUDGET	-1,325	
LESS: HISTORICAL AVERAGE BUDGET UNDERSPEND--SALARY AND BENEFITS	2,099	Historically, the General Fund has underspent its salary/benefits budgets on average by \$2.124 million over the last 3 years, and by \$1.878 million over the last 5 years. Many factors contribute to this, with the most significant being that per County policy, each department has to be budgeted assuming it is fully staffed the entire year. In reality, for many departments, this has rarely been the case. Open positions (or "dark time") that occur due to retirements, voluntary terminations/turnover and delays in filling positions create cost savings to budget, as does refilling positions open due to retirement at often lower salary rates than budgeted. While current policy does not allow for budgeting for "dark time" and there is no assurance similar savings will occur at the same level of employment trends/economic conditions change, it is nonetheless an important component in understanding how our actual spending in this area compares to our budget.
LESS: ESTIMATED PAYROLL/BENEFITS SAVINGS IF NEW APPROVED POSITIONS ARE HELD OPEN FOR SIX MONTHS	165	As discussed in the BOCC budget meetings, given the economic uncertainty heading into 2023, the County could elect to hold open new positions added as part of the 2023 budgeting process for the first half of 2023 until better visibility regarding the occurrence and severity of an anticipated economic recession is better known. Based on the new positions approved within the "2023 Department Requests over Base Budget" schedule, the estimated savings of holding these positions open for the first six months of 2023 would total approximately \$165k.
PROJECTED GENERAL FUND OPERATING SURPLUS/(DEFICIT)--ADJ FOR COMP UNDERSPEND/HOLDING NEW POSITIONS OPEN	939	
PROJECTED 2023 GENERAL FUND BALANCE--BASED ON PROPOSED BUDGET AS ADJUSTED		
2023 PROJECTED FUND BALANCE--BEGINNING	11,831	
PROJECTED 2023 GENERAL FUND OPERATING DEFICIT	939	
2023 PROJECTED FUND BALANCE--ENDING	12,770	