

CLALLAM COUNTY
GENERAL FUND PROPOSED FINAL 2024 BUDGET
BREAKDOWN OF PROPOSED 2024 BUDGET DEFICIT VS 2023 PROJECTED SURPLUS
\$ IN 000s

NOTES

TOTAL PROPOSED GENERAL FUND OPERATING SURPLUS/(DEFICIT)--2024 BUDGET	-2,675
TOTAL FORECASTED GENERAL FUND OPERATING SURPLUS/(DEFICIT)--2023 PROJECTED	1,479
NET CHANGE IN OPERATING SURPLUS/(DEFICIT)--2024 DRAFT BUDGET VS 2023 PROJECTED	-4,154

MAJOR COMPONENTS OF CHANGE IN OPERATING SURPLUS/(DEFICIT) FROM 2023 TO 2024:

INCREASE IN TAX REVENUE (PROPERTY TAXES, SALES & USE, JUVENILE SERVICES SALES & USE, ETC)	933	Assumes Property Taxes projected to grow 2.2% based on 1% levy growth allowed plus new construction. Sales Tax revenues assume an annual increase of +4.63% which reflects two primary components--(1) the assumed minimal growth of 1.6% in overall taxable retail sales activity projected for WA State by the WA Economic Forecast Council for 2024 which presumes further economic cooling expected in 2024, and (2) factoring in of the 3.03% estimated incremental sales tax growth impact of the several large WSDOT US 101 fish barrier removal, Elwha Bridge Replacement, and other Clallam WSDOT road construction projects occurring in 2024 (see attached analysis for a list of these projects). Other taxes for Local Criminal Justice/Public Safety reflect growth of 6.2% in 2024 based on MRSC published guidance.
INCREASE IN INTERGOVERNMENTAL REVENUE--GRANTS	1,355	Intergovernmental Grant revenues increased by +\$1,355k or +48%, driven principally by grant gains in DCD Environmental Quality of \$859k (mainly due to new GMA update-related grants including DOC GMA Update of \$262.5k and DOC Climate Planning grant of +\$361k, as well as a DOE Lower Elwha Channel Migration Zone grant of +\$159k, and other gains in NOPL, Marine Resources, & NOAA Olympic Oyster restoration grants). Higher grants are also budgeted in Superior Court (+\$60k AOC Rural Court Security grant, +\$22k for SBHO Criminal Justice Treatment, +\$16k for AOC Interpreter grant), Juveniles Services (up \$158k in CIS, Becca, HHS HCA CPWI, Secure Crisis Residential Center, WSP-NCHIP & Special Sex Offender Disposition grants), Sheriff Ops (up \$29k due to higher Sex Offender Verification Program & Stop Grant), and gains in other areas.
INCREASE IN INTERGOVERNMENTAL REVENUE--PILT, PUD Privilege Tax, Criminal Justice, Marijuana/ Liquor Excise, Autopsy, Other	222	Reflects 3.5%-6.4% increases in PILT, Criminal Justice, PUD Privilege, and other excise taxes based on historical trend and MRSC published guidance.
INCREASE IN INTERGOVERNMENTAL REVENUE--ARPA Section 605 Local Assistance & Tribal Consistency Funding	-1,255	Decrease due to sunseting of ARPA 605 LATCF revenues in 2023 with the final payment received in August 2023.
INCREASE IN INTERGOVERNMENTAL--Timber Revenue	159	Increase of 20% based on revised 2024 estimate derived from Q2 DNR 2023 timber harvest report and forecast, as partially adjusted for timber price premium trends observed in auction results.

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INCREASE IN GOODS & SERVICES REVENUE	1,487	<p>Increase due to assumed recovery of services revenue streams impacted during COVID or by ongoing staffing shortages existing in certain departments that provide services, including the Sheriff Jail's slightly improved jail excess bed usage with DOC (+\$20k over forecasted 2023, but still budgeted at a third of pre-COVID levels) and Jail staffing levels rebounding to enable resumption of Chain Gang services to the Roads department (+\$200k over forecast 2023), increased Sheriff Ops services fees of +\$115k (due to higher law enforcement services (\$61k), \$38k higher Jamestown contract policing, and higher OPSCAN Radio Tech services), increased interfund services provided to the HHS Foundational Public Health and other non-General Fund HHS funds by HHS Environmental Health (\$117k) & HHS Administration (\$196k), CPI-tied increases under certain interagency criminal justice services agreements (\$56k), higher DCD commercial and residential plan check revenues (+\$53k over 2023 projected), higher HHS Environmental Health On Site fees (+\$84k over 2023 projected), higher elections services revenue tied to the 2024 Presidential primary (+\$126k), increased Hargrove funding provided to the DC1 mental health court (\$167k), Jail Medical (+\$185k to support additional 1 FTE mental health professional added to support increased MH demands in jail), Superior Court's family and drug therapeutic courts (\$40k), and increases/decreases in other areas.</p>
INCREASE IN MISC REVENUE	429	<p>Increase mainly due to modestly higher interest income due to continued gains in interest rates during 2023 enabling the Treasurer to continue to reinvest maturing investment funds at higher rates (with assumption that rate increases by the Federal Reserve slow after 2023 as the economy cools), as partly offset by \$25k or 7% decline in interest on delinquent property taxes. Campground revenues reflect growth of \$149k reflecting assumed CPI and market comparison adjustments reflected in '24 proposed rates and assumed growth trend, and higher Fair revenues related to rodeo/logging show purse spondorships, concessions and higher rates to be implemented for long-term vehicle storage (+\$66k).</p>

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DECREASE IN TRANSFERS IN	-2,659	Primarily due to a \$3.3 million decrease in Transfer In from the Lower Dungeness Floodplain project as \$4.0 million of the \$4.683 million of funding provided by the General Fund for this project is expected to be received in 2023, with the remaining \$683k to be paid in 2024 when the project's remaining work is completed. Remainder of the decrease is due to the \$125k of bridge funding being returned to the General Fund following completion of the grant-funded purchase of the new Sheriff vessel purchased in the Boating Safety fund, and the transfer of \$49k from the Employee Healthcare Benefit fund in 2023 relating to transitioning of the employee wellness benefit program to the HR department in the General Fund, as offset by the return of working capital previously provided to the Clallam Bay/Sekiu Sewer fund as the DOE grant/loan funded sewer improvement project concludes in 2024 (\$250k) and the non-recurring transfer of all interest income earned to-date from ARPA fund to the General Fund as such funds are not subject to ARPA usage guidelines (\$578k).
DECREASE IN INTERGOVERNMENTAL--COVID REIMBURSEMENTS	-87	Due to collection of all remaining FEMA COVID grant funding received in 2023 following conclusion of pandemic response efforts.
INCREASE IN PAYROLL	-2,837	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 \$1.644 million of historic darktime budget underspend, payroll is projected to increase approximately \$1.193 million, or 4.86%, from 2023 to 2024 which reflects increases due to 2.5-3% COLAs for the various bargaining units, pay step increases, pay adjustments due to position salary studies and position reclassifications, a \$150k increase in budgeted leave payout costs assumed for 2024, and costs related to the decoupling of the County Administrator and HR Director positions. Also reflects net effect of additional 6.98 FTEs added (3.5 in Sheriff (Body Camera Records Specialist, Accountant, 1 Patrol Deputy (starting 7/1/24), and 1 Hargrove-funded Mental Health Professional in Jail), 1 in DCD Code Enforcement, .5 in DCD Environmental Quality, 1 in PA-Coroner), as partially offset by savings due to turnover that occurred in 2023 and the placing of seven open positions on indefinite deferral across multiple areas for 2024.

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INCREASE IN BENEFITS	-1,480	Increase due to base budget assuming all positions staffed--see below. When adjusted to reflect \$0.684 million of historic darktime budget underspend, benefits are projected to increase approximately \$796k, or 8%, from 2023 to 2024 , 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 increases that take effect in January each year under the collective bargaining agreements completed in July 2021/2022, and higher worker's comp costs due to higher claims costs and increased L&I rates across all employee classifications, as partly offset by benefit savings of placing seven open staff positions across multiple areas on indefinite deferral.
DECREASE IN TRANSFERS OUT	1,810	Primarily due to decreases in Transfer to PFF (\$784k; primarily due to the \$1 million transfer designated for the JPSF project funded in '23), lower transfer to IT Capital Projects (\$67k; due to transitioning of certain non-recurring IT projects to the ARPA fund as partly offset by the initial costs of migrating the County's financial systems to a new system), and lower transfer to Clallam Bay Sekiu Sewer (\$140k) due to higher ERU-based utility revenues. Also due to lower Transfer Out to Dungeness Reservoir project reflected in 2024 (\$800k of working capital funding from General Fund was provided in '23). Also due to a \$170k decrease in transfers to the Boating Safety fund due to the '23 planned purchase of a grant-funded replacement Sheriff's vessel. These decreases were partially offset by a \$63k increase in transfer to Solid Waste needed to fund the recommencement of closed landfill monitoring costs in '24, and a \$96k transfer to the Carlsborg Sewer fund to fund a planned City of Sequim infrastructure project to replace the sewer line connecting Carlsborg to the City's sewer system.
INCREASE IN SUPPLIES	-251	Increase is primarily due to budgeting of mandatory/recurring non-capital IT PC replacement, Arctic Wolf and Microsoft VDA software license and other datacenter and network equipment costs previously budgeted in the IT Capital Projects fund in IT's operating budget (\$172k) beginning in 2024, department requested increases in supplies recommended for approval, trending supplies savings in 2023, and increases in other areas.

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INCREASE IN SERVICES	-2,003	Services increase is mainly due to a \$687k increase in grant-fund professional services in DCD Environmental Quality mainly relating to the new GMA update-related grants including the DOC GMA Update and DOC Climate Planning grant , as well the DOE Lower Elwha Channel Migration Zone grant. The remainder of the increases include higher ER&R vehicle rental costs due to rising replacement vehicle replacement costs (\$272k), higher software maintenance and support contract costs across multiple areas (DCD-Entergov, Assessor PACs, new Sheriff Body Cameras and Jail systems, others), higher elections costs in '24 due to the Presidential Primary (+\$37k), higher grant-fund professional services costs in DC1 for the mental health court (\$102k), and Juveniles Svcs (+\$123k due to increased grant funding in CJS, Becca, HHS HCA CPWI, Secure Crisis Residential Center, WSP-NCHIP & Special Sex Offender Disposition grants), higher Sheriff contracted services costs in Animal Control (\$27k due to Humane Society contract) and Jail Medical (\$42k increase in Wellpath contract), \$83k in higher contracted Indigent Defense costs (CPD & conflict attorneys), and due to projected underspend to budget within Services in 2023. Increase also due to approx. \$296k of Department Requests recommended for approval (see attached 2024 Department Requests Over Base Budget). Partly offset by Blake LFO reimbursements transitioning from the Clerk's Office to the State (\$75k).
INCREASE IN PAYMENT TO RISK MANAGEMENT/WORKERS COMP FUNDS	-321	Due a to \$321k or 19.6% increase in Risk Management assessment over prior year driven by mainly by expected 21%+ rise in WAC risk pool costs in '24 over 2023 due to rising liability and property insurance costs being seen state-wide. 2023 property and liability insurances costs will also exceed the 2023 budget by \$249k or 17%.
DECREASE IN CAPITAL OUTLAYS	403	Principally due to transition of non-recurring capital outlays to ARPA fund, as well as spill over of 2022 budgeted patrol vehicle replacements that were incurred in 2023.
INCREASE IN DEBT SERVICE--LEASES	-32	Due to lease rate increases across multiple areas.
REMAINING PROJECTED OPERATING DEFICIT--FINES & PENALTIES/OTHER	-30	
TOTAL CHANGE IN GENERAL FUND OPERATING DEFICIT--PROPOSED 2024 BUDGET VS 2023 PROJECTED	-4,154	
PROJECTED GENERAL FUND OPERATING DEFICIT--ADJUSTED FOR AVG COMP UNDERSPEND		
TOTAL GENERAL FUND OPERATING SURPLUS/(DEFICIT)--2024 PROPOSED BUDGET	-2,675	

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LESS: HISTORICAL AVERAGE BUDGET UNDERSPEND--SALARY AND BENEFITS 2,328

Historically, the General Fund has underspent its salary/benefits budgets on average by \$2.539 million over the last 3 years, and by \$2,239 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. The County budgets for a \$30k placeholder for real estate transaction escrow payments that may be required for both planned/unplanned purchases of real estate which is designed to be a zero-balance line item once a real estate transaction is concluded.

LESS: REAL ESTATE TRANSACTION ESCROW BUDGET 30

PROJECTED GENERAL FUND OPERATING DEFICIT--ADJUSTED FOR AVG COMP UNDERSPEND -317

PROJECTED 2024 GENERAL FUND BALANCE--BASED ON PROPOSED BUDGET AS ADJUSTED

PROJECTED FUND BALANCE--BEGINNING 13,127

PROJECTED 2024 GENERAL FUND OPERATING DEFICIT -317

PROJECTED FUND BALANCE--ENDING 12,810