



CLALLAM COUNTY DRAFT BUDGET 2024

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- (3) General Fund 4 Year Comparison of 2024 Draft Budget to Projected/Actual Results for 2023-2020;
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- (6) General Fund Breakdown Analysis of the Change in Operating Surplus/Deficit between the 2024 Draft Budget Deficit and 2023 Forecasted Surplus/(Deficit);
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- (14) Estimated Sales Tax Impact—WSDOT Infrastructure Projects 2020-2027



AGENDA ITEM SUMMARY

(Must be submitted NLT 3PM Wednesday for next week agenda)

Department: Finance

WORK SESSION **Meeting Date: 11/13/2023**

REGULAR AGENDA **Meeting Date:**

Required originals approved and attached?
Will be provided on:

Item summary:

- | | | |
|---|--|---|
| <input type="checkbox"/> Call for Hearing | <input type="checkbox"/> Contract/Agreement/MOU - Contract # | |
| <input type="checkbox"/> Resolution | <input type="checkbox"/> Proclamation | <input checked="" type="checkbox"/> Budget Item |
| <input type="checkbox"/> Draft Ordinance | <input type="checkbox"/> Final Ordinance | <input type="checkbox"/> Other Monthly Review |

Documents exempt from public disclosure attached:

EXECUTIVE SUMMARY:

As required by the Clallam County Charter, attached for review and discussion is the 2024 Draft Budget for Clallam County. The submission of this Draft budget is the next step in the budget adoption process, with the following key dates to follow:

- Monday, November 13th—CFO and the Administrator to submit the Proposed Draft Budget to the BOCC;
- Tuesday, November 28th—Clallam County Property Tax Levy Certification
- Monday, December 4th—Special Taxing Districts Property Tax Levy Certification;
- Tuesday, December 5th--Public Hearings at 10:30am and 5pm in the Board Room to adopt final budget by resolution.
- Tuesday, December 12th—Possible extension of hearing for the Board to adopt the final budget by resolution (if needed)

The following materials have been provided to accompany this summary:

- 2024 Draft Budget Summary—All Funds;
- General Fund 4 Year Comparison of 2024 Draft Budget to Projected/Actual Results for 2023-2020;
- General Fund 4 Year Comparison of 2024 Draft Budget to Adopted Budgets for 2023-2020;
- General Fund Bridge Analysis of Changes Between 2024 Recommended Budget and Draft Budget (a summary of what changed between the prior version of the budget and this version);

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- General Fund Breakdown Analysis of the Change in Operating Surplus/Deficit between the 2024 Draft Budget Deficit and 2023 Forecasted Surplus/(Deficit);
- 2024 Draft Budget General Fund Revenue, Expenditure and Staffing Charts by Type and by Program;
- 2024 Budget Salary Worksheet Breakdown by Department/Fund;
- 2024 Budgeted Staffing Schedule 10 Year History;
- 2024 Department Requests Over Base Recommended Budget, including those Draft for approval that are included in the Draft Budget;
- 2024 Draft Capital Outlay Budget—by Fund;
- 2024 Draft Capital Outlay Budget--By Key Strategic Capital Project;
- 2024 Draft Capital Requests Excluded from 2024 Budget; and
- Estimated Sales Tax Impact—WSDOT Infrastructure Projects 2020-2027

It is important to note that this Draft budget represents each departments' Recommended budget submissions as adjusted based on the outcomes of budget review meetings conducted in October between the BOCC, County Administrator and Finance Department with each of the departments, in which revenue and expenditure assumptions, department requests for additional budget funding, and capital needs were discussed, evaluated for reasonableness, with changes then incorporated based on discussions with the BOCC in light of current budgetary constraints. As noted in prior budget discussions, all departments have budgeted that all budgeted positions are assumed filled in accordance with how policy currently requires us to budget, which, as previously discussed, has not historically mirrored the County's actual payroll spending trends where the County has underspent its personnel budgets in the General Fund between \$2.2 million and \$2.5 million each year due to open positions, turnover and retirements (further discussion below).

This budget also reflects estimates for 2024 revenue which are partly dependent on the current revenue forecast assumptions for the remainder of 2023, as well as other variables, including:

- GDP growth and inflationary growth expectations based on most recent Washington State Economic Council forecasts (the most recent published being for the 3rd Quarter 2023),
- Local economic conditions,
- Large road infrastructure projects currently underway in our County which are expected to materially impact the County's sales & use tax projections in from 2023 thru 2027;
- The expected level of new construction to be captured for purposes of setting 2024 levy amounts for property tax purposes;
- Further changes in long term and short term interest rates as the Federal Reserve continues to combat inflation; and
- Other revenue guidance available thru MRSC, the DNR, and other sources.

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Taxes, Intergovernmental taxes (including PILT, Timber excise tax, Leasehold Excise tax, PUD Privilege Tax, etc.), Real Estate Excise taxes (REET), and Timber revenues--representing approximately 59% of the General Fund revenue budget and 42% of the overall County revenue budget of the 2024 Draft budget—are based on projections developed by the Finance Department based on the evaluation of such variables and available guidance. Departmental assumptions for other revenue streams reflected in this Draft budget were discussed and evaluated for reasonableness during the Administrator and CFO discussions with each department in September and October, with any changes based on those discussions reflected in the Draft Budget.

While we are not currently projecting a recession in 2024 in a traditional sense as employment levels remain strong and given the number of national banks (Goldman Sachs, others) and economists (including those of WA State Economic Forecast Council) who have reduced their likelihood of recession in 2024, we do believe higher consumer and commercial borrowing costs will carry over into 2024 as interest rates remain elevated to combat inflationary pressures with the likelihood of any easing on interest rates in 2024 reduced based on past remarks by the Federal Reserve, although there is increasing market speculation that the Federal Reserve may be finished raising rates in 2023. We believe these higher borrowing rates will hold discretionary taxable sales activity to very low single digit growth next year.

Accordingly, for the 2024 Draft Budget, a sales tax growth assumption of 4.65% was used in preparing the 2024 revenue budgets for our various sales-based taxes of the County, and reflects two primary components:

- (1) An assumed **minimal economic growth rate of 1.6%** in overall taxable retail sales activity projected for Washington State by the WA Economic Forecast Council for 2024 in its September 2023 updated forecast (which is a slight improvement over the 1% growth in their last forecast), which presumes further economic cooling in 2024 (short of a recession) as taxable retail sales growth slows from the 5.7% growth rate projected for 2023, and
- (2) The factoring in of **an additional 3.05% estimated incremental sales tax growth impact for the multiple large WSDOT road infrastructure projects occurring in the County in 2024**, including multiple US 101 fish barrier removal projects, the Elwha Bridge Replacement, and other Clallam WSDOT road construction projects with an annual estimated cost 153% higher than seen in recent years. See the attached analysis for a list of these WSDOT projects, their estimated cost, and their estimated sales/use tax impact by year based on each project's duration. These projects in total are expected to generate between \$600k-\$750k of local sales & use tax revenue for the County's General Fund in 2024 and 2025, as compared to the estimated \$230k-\$300k generated from similar projects since 2020. Given these estimates are derived from limited information available for each of these projects on WSDOT's websites, these sales tax projections for WSDOT's projected have been reduced by 20% to allow for project timing differences, payment delays, and unequal distribution of project costs over the duration of the project that may affect the accuracy of our year-to-year projections.

Other non-General Fund revenue streams tied to real estate, particularly REET 1 and REET 2, are expected to decrease a further 8.7% in 2024 after declining an estimated 28% in 2023 due to the slowing of the real estate market caused by rapidly rising mortgage rates.

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OVERVIEW OF CHANGES MADE BETWEEN RECOMMENDED BUDGET AND DRAFT BUDGET

Several changes have been made to the 2024 Recommended Budget in arriving at the 2024 Draft Budget. While outlined in more detail in the attached schedule called "Bridge Analysis Between Recommended Budget & Draft Budget", these changes at a high level include:

- **REVENUE CHANGES—increased \$1,970k**, mostly due to:
 - INTERGOVERNMENTAL REVENUES increasing \$1,325k due to additional grant revenue identified for DCD Environmental Quality of \$1,165k (+\$382k DOC/RCO McDonald Ck Fish Passage Removal, DOC GMA Update of \$262.5k, DOC Climate Planning grant +\$361k, & DOE Lower Elwha Channel Migration Zone +\$159k), Superior Court (+\$60k AOC Rural Court Security grant), and a \$100k increase in DNR Timber Revenues based on revised projections received from DNR as partially adjusted for auction premiums observed this year;
 - TRANSFERS IN increasing \$578k due to the one-time transfer to the General Fund of \$578k of interest income earned to-date from the County's ARPA funds as such funds are not subject to ARPA usage restrictions;
 - MISCELLANEOUS REVENUE increasing \$109k mainly due to a \$100k increase in Parks & Facilities camping fees for Dungeness and Salt Creek based on a camping rate market comparison analysis, and \$15k in higher fair revenues related to vehicle storage rental revenues at fairgrounds based on revised rates, as partly offset by a \$6k decrease in DC1 court interest adjustments based on trend;
 - FINES & PENALTIES increasing \$71k due to higher District Court 1 traffic infraction deferred finding admin fees, and other fines & penalties added based on trend and discussion with District Court staff.

These REVENUE increases were partially offset by the following DECREASES:

- TAXES decreasing (\$69k) primarily due to lowering the Nov-Dec 2023 projected Sales & Use tax revenues to reflect a 4% year-over-year growth rate (vs. 6.25% previously forecast) to better reflect recent trend; as partly offset by 2024 growth rates being increased to 4.65% from 4.07% growth assumed in the Recommended Budget to reflect a slight uptick in 2024 taxable retail sales forecasted per the Q3 2023 WA State Economic Forecast Council report; and
- CHARGES FOR GOODS & SERVICES decreasing (\$45k) due to a \$150k decrease in HHS Administration intrafund services revenue charged from the Foundational Public Health fund due to a correction of a budgeting error, as partly offset by +\$46k in additional Auditor Election Services revenue based on fully billing elections staff time to junior taxing districts to bring the County more in-line with other counties' practices, and a \$59k increase in WSU Extension services to be provided to Roads under its Master Gardener/Weed Control programs;

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- **EXPENDITURE CHANGES—increased \$1,219k**, primarily driven by:
 - **SERVICES increased \$1,465k** mainly due to:
 - DCD Environmental Quality grant-funded professional services increases of \$990k related to grants added to this version of the budget including DOC/RCO McDonald Ck Fish Passage Removal, DOC GMA Update, DOC Climate Planning , & DOE Lower Elwha Channel Migration Zone;
 - \$53k in higher grant-funded security services in Superior Court related to the added AOC Rural Court Security grant;
 - ER&R increased rental rates of \$272k reflecting higher fleet vehicle replacement costs;
 - NonDepartmental increases of +\$36k (reflecting a \$25k increase in NODC to match '23 funding levels, \$17k Opengov, \$10k Evergreen Forest County Group, as offset by lower Historic Preservation (\$15k);
 - Prosecuting Attorney (+\$43k for Evidence.com software needed to support Axon body camera video evidence that were missed being added to the Recommended Budget that were to be funded through trend cost savings previously identified and captured in the prior budget;
 - Reclassification of Treasurer CashVest and planned Sympro new investment software from supplies to services (\$46k);
 - WSU Extension (+\$36k to support additional weed control support under new Roads Master Gardener agreement), and
 - IT (+\$6k in training to support internal implementation of the Microsoft InTune application, resulting in capital project savings of \$29k), and small increases in other areas.
 - Partly offset by lower Auditor printing and binding elections costs (\$28k) due to shifting of February election printing costs to 2023.
 - **PAYROLL increased \$108k** relating to (1) Sheriff Ops (+\$20k reflecting the addition of 1 of 2 requested FTEs Patrol Deputy positions mid-year as offset by .5 FTE savings resulting from realignment of an open part-time evidence room position and an admin specialist position, (2) DCD Environmental Quality (+\$27k for grant funded .5 FTE admin position approved for MRC), (3) DCD Permits (+\$7k), (4) IT (+\$22k), (5) NonDepartmental (\$15k), (6) District Court 1 (\$15k), and WSU Extension weed control (\$9k), as offset by a reduction of \$7k in Treasurer.
 - **BENEFITS increased \$85k** mainly due to \$194k in increased medical insurance related to the \$50 per month additional employer match required under current CBA labor agreements, and the effect of layering in increase L&I Workers Comp rates (\$97k), as partly offset by benefit savings from staff position realignments resulting in a reduction of benefited positions in the Auditor's Office elections/admin staff (.5 FTE savings) and Sheriff Operations evidence room/admin staff (1 FTE benefits savings), and other savings;

These EXPENDITURE increases were partially offset by the following DECREASES:

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- CAPITAL OUTLAYS decreased \$327k due to transition of non-recurring budgeted capital outlays from the General Fund to the ARPA fund in 2024, including Sheriff Jail radio replacements (\$40k), PA Coroner Vehicle (\$100k), Parks & Facilities tractor/loader/mower (\$127k), and IT's domain rebuild project (\$35k). Also due to lower projected Sheriff patrol vehicle replacement costs (\$32k) as offset by Superior Court AOC rural court security grant-funded security equipment costs added (\$7k).
 - TRANSFERS OUT decreased \$83k due primarily to (1) lower Transfers to fund 2024 capital projects in Parks & Facilities Capital Projects Fund (\$7k) and IT Capital Projects fund (\$159k) as a result of shifting several non-recurring capital projects from General Fund-supported capital funds to the ARPA fund, including:
 - Juvenile Services Security Camera Replacement project (\$15k),
 - Fairgrounds WIFI project (\$50k),
 - Door Badge Controls & Cameras project (\$90k), and
 - Expansion of the BOCC Electrical/Network Closet project (\$25k).
 - These decreases were partly offset by an increase in Transfer to the Carlsborg Sewer fund (\$82k) needed to fund increased Sequim pipe charges due to a planned City of Sequim infrastructure project to replace the sewer line connecting Carlsborg to the City's sewer system.
 - SUPPLIES decreased \$29k mainly due to reclassification of Treasurer CashVest and planned Sympro new investment software from supplies to services (-\$46k), as offset by \$13k higher DCD Environmental Quality grant-funded supplies related to the GMA, Climate and Lower Elwha Migration grants.
- **OPERATING DEFICIT/ENDING RESERVES IMPACT OF BUDGET CHANGES**
- After applying the impact of these changes, **the County's overall budgeted net operating deficit for 2024 improved \$751k from the Administrator Recommended Budget, from (\$3,941k) down to (\$3,190k) in this version of the budget.**
 - **After adjusting for expected payroll cost underspend due to position vacancies/attrition, the General Fund's projected net operating deficit is expected to total (\$794k), an improvement of \$793k or 50% from the (\$1,587k) deficit reflected in the prior Administrator Recommended Budget.**
 - **Based on this projected net operating deficit, the General Fund is expected to have ending fund reserves in 2024 of \$12,332k, or 23% of total expenditures, as compared to \$11,709k projected in the prior Administrator Recommended Budget.**

From an expenditure standpoint, there are certain cost changes not yet incorporated into this Draft budget which will be included in final version of the 2024 budget pending further discussion with the departments and/or the BOCC, including:

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- **Deferral of Certain Open Personnel Positions** – based upon evaluation of a small number of currently open positions, it is anticipated that certain of these positions will be placed on an indefinite hold and removed from the final General Fund budget, representing a reduction in budgeted personnel costs of approximately \$525k-\$530k;
- **Capital Outlays/Project Carry Over True-Up** –based on final review of status of 2023 pending capital outlays/projects, it is anticipated that a final true-up of any capital costs that are likely to spill over to 2024 will be made to the extent not already reflected in this budget.

GENERAL FUND BUDGET OVERVIEW

At a high level, the 2024 Draft Budget projects a beginning General Fund Balance of approximately \$13.127 million, Revenues totaling \$52.119 million, Expenditures (including Transfers Out to Parks & Facilities Capital Projects, IT Capital Projects, HHS, Flood Control and other funds detailed later in this document and Capital Outlays) of \$55.309 million, resulting in a budgeted use Reserves of (\$3.190) million, and leaving an ending General Fund Balance of \$9.936 million, representing an ending reserve level of 18% of total expenditures. However, as discussed later, when one adjusts for the historical underspend to our personnel and benefits budgets of \$2.2 million-\$2.5 million, it is likely the Draft budget deficit for 2024 is closer to a (\$794k), as compared to 2023's projected surplus of \$1,479k, which would leave an ending fund balance of \$12.332 million for 2024, or a reserve of 23% of total expenditures.

Below are the revenue and expenditure highlights behind these results:

REVENUE BUDGET HIGHLIGHTS

In this roll up of the 2024 budget, General Fund Revenues from Operations (which exclude COVID and ARPA Section 605 non-recurring intergovernmental revenues and Transfers In) are projected to total \$50,564k, representing a \$4,533k or +9.9% increase over 2023 projected revenue expected, and a \$3,542k or 7.5% increase over the 2023 originally adopted budget. General Fund non-recurring revenues—consisting of COVID (FEMA) and ARPA 605 Intergovernmental revenues—are projected to total \$0 in 2024, a decrease of \$1,341k from the prior year. Transfers In revenues, consisting mainly of the return of working capital previously provided by the General Fund to other grant-funded projects and the non-recurring transfer of ARPA interest income to the General Fund, is budgeted to total \$1,555k, representing a decrease of \$2,659k or -63.1% from 2023 projected revenue. Total Revenue, including COVID/ARPA 605 revenues and Transfers In, overall is budgeted to total \$52,119k, an increase of \$533k or 1%.

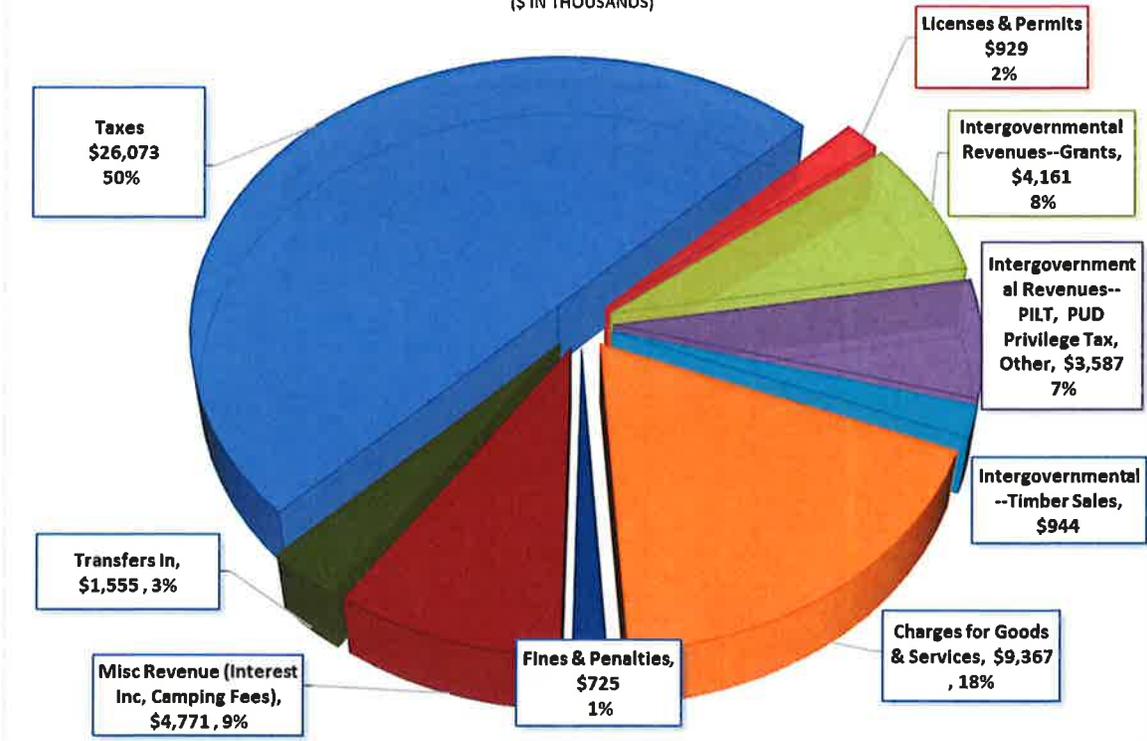
The General Fund's primary sources of revenue in 2024 in comparison to 2023 consist of the following:

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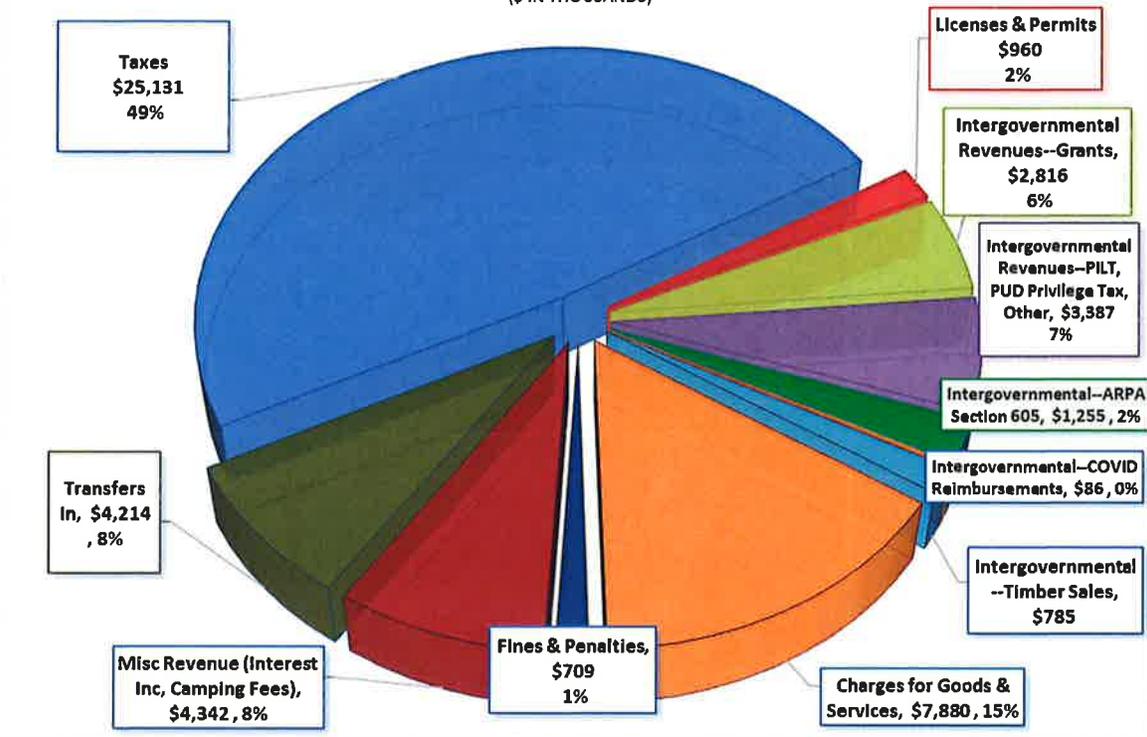
2024 GENERAL FUND --WHAT ARE OUR FUNDING SOURCES?

(\$ IN THOUSANDS)



2023 GENERAL FUND --WHAT ARE OUR FUNDING SOURCES?

(\$ IN THOUSANDS)

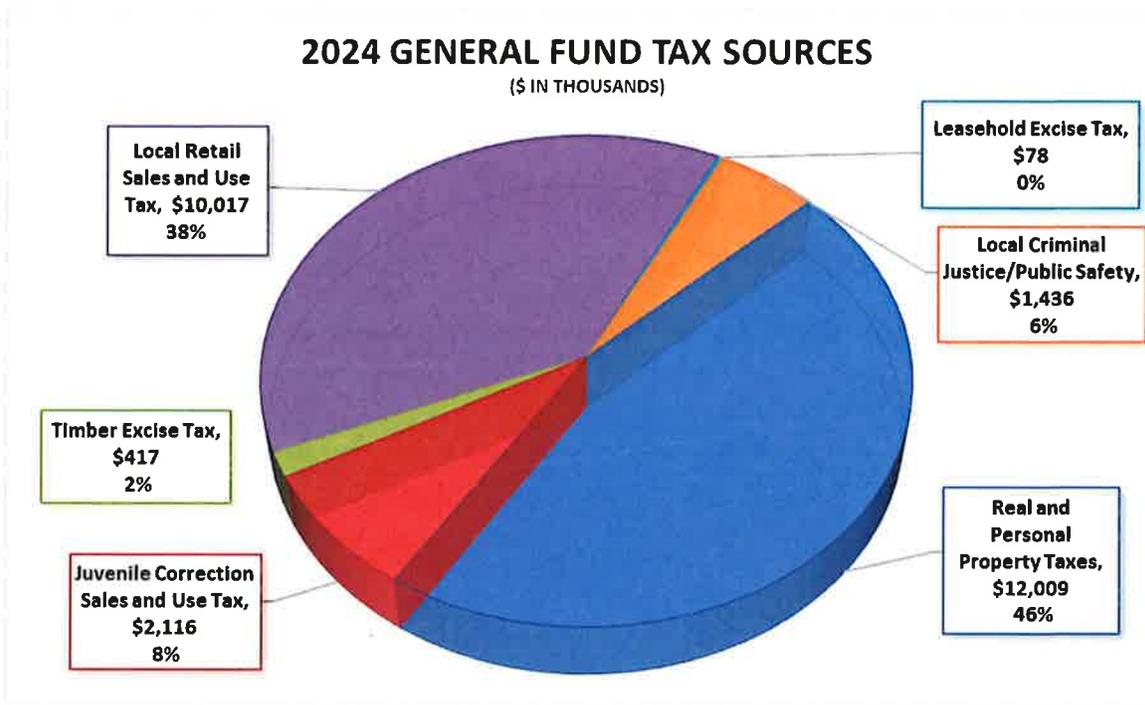


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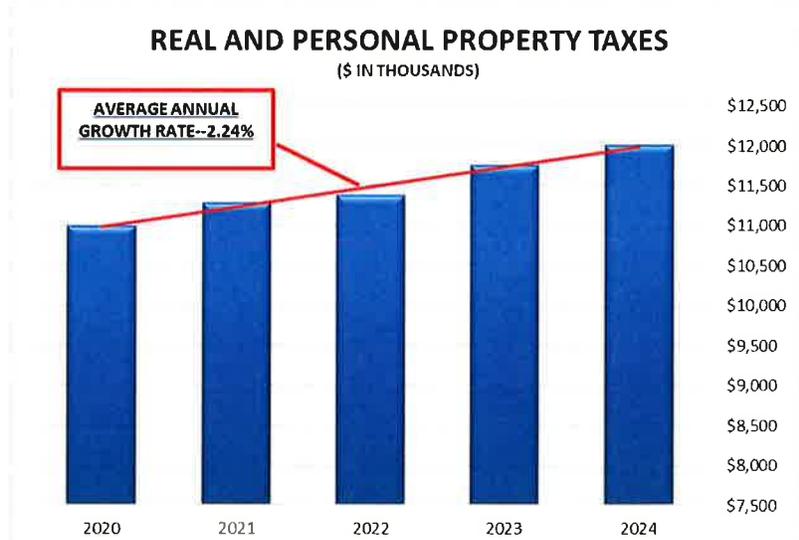
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TAX REVENUES

Representing 50% of General Fund total revenues, Tax revenues are projected to increase \$942k or 3.75% in 2024. Below is a breakdown of the County’s various major tax revenues by source:



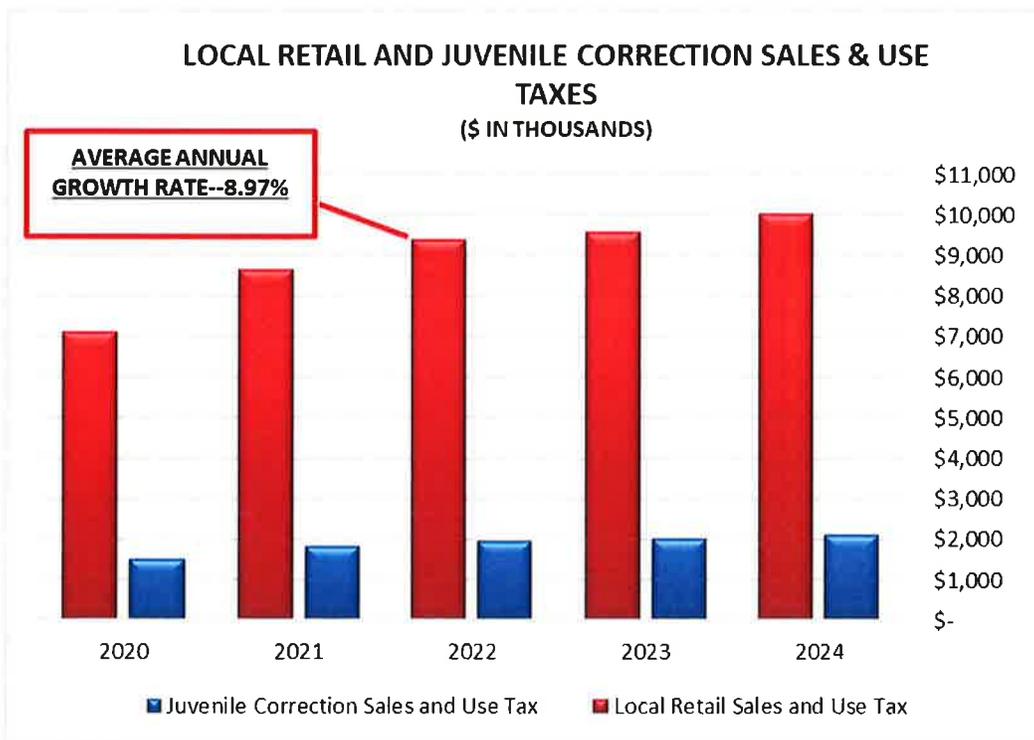
Property taxes, representing 46% of total tax revenue and 23% of total General Fund revenue, are projected to increase \$255k or 2.17% as we assumed the County takes its allowed for 1% annual levy growth limit, as adjusted for new construction assumed captured, as allowed for under statute. It should be noted that new construction estimates used in 2024 levy calculations reflect updated estimates received from the Assessor’s Office and are currently projected at \$165.3 million. Property taxes have trended as follows over the past 4 years:



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Sales-driven taxes including local retail sales & use tax and juvenile correction sales and use taxes—representing 46% of total tax revenue and 23.3% of total General Fund revenue-- are projected to increase a combined \$547k or 4.7%, which again reflects our assumption that sales taxes will grow at a combined growth rate of 4.7%, which is comprised of the 1.6% minimal overall growth in taxable sales forecasted for 2024 by the WA State Economic Forecast Council in its latest forecast plus an additional 3.1% growth factor tied to the multiple WSDOT road infrastructure projects occurring in 2024 through 2025. Sales taxes have trended as follows over the past 4 years:



Local criminal justice and public safety taxes are projected to increase 6.3% in 2024 based on MRSC published guidance. Timber excise & leasehold excise taxes are projected to increase 16.7% from 2023 projections based on a two-year trailing trend.

LICENSES & PERMITS

Licenses & Permits are currently projected to decrease \$31k or (3.2%) from 2023 projections mainly due to continued softening of building permit revenues, land use permit fees, and other fees over 2023 projected trend.

INTERGOVERNMENTAL REVENUES

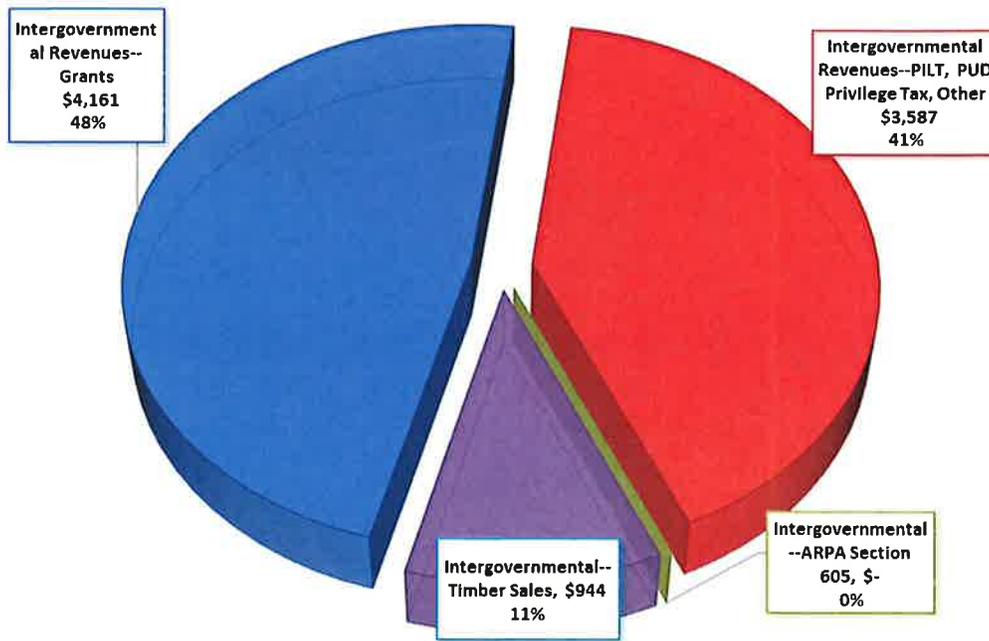
Overall, Intergovernmental Revenues--consisting of federal and state grants, intergovernmental tax and excise payments received by the County, and now DNR timber sales --is budgeted to total \$8,692k, representing 16.7% of total General Fund revenue budget and reflecting a marginal increase of \$363k or 4.3% in 2024.

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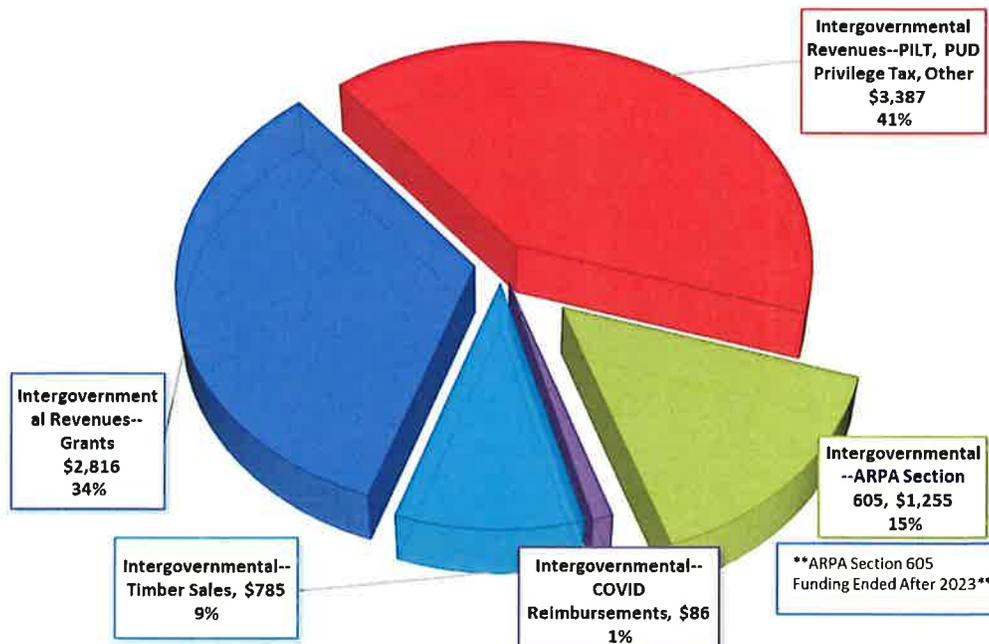
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To understand the reason for the year-over-year marginal increase in total Intergovernmental Revenue, below is a side by side comparison of the sources of intergovernmental revenues for 2024 and 2023.

2024 INTERGOVERNMENTAL REVENUE BREAKDOWN BY SOURCE
(\$ IN THOUSANDS)



2023 INTERGOVERNMENTAL REVENUE BREAKDOWN BY SOURCE
(\$ IN THOUSANDS)



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As outlined above, the principal driver of the minimal increase in overall intergovernmental revenue in 2024 is the sunseting of the ARPA Section 605 Local Assistance and Tribal Consistency funding, the final payment of which was received in August 2023 totaling \$1.255 million.

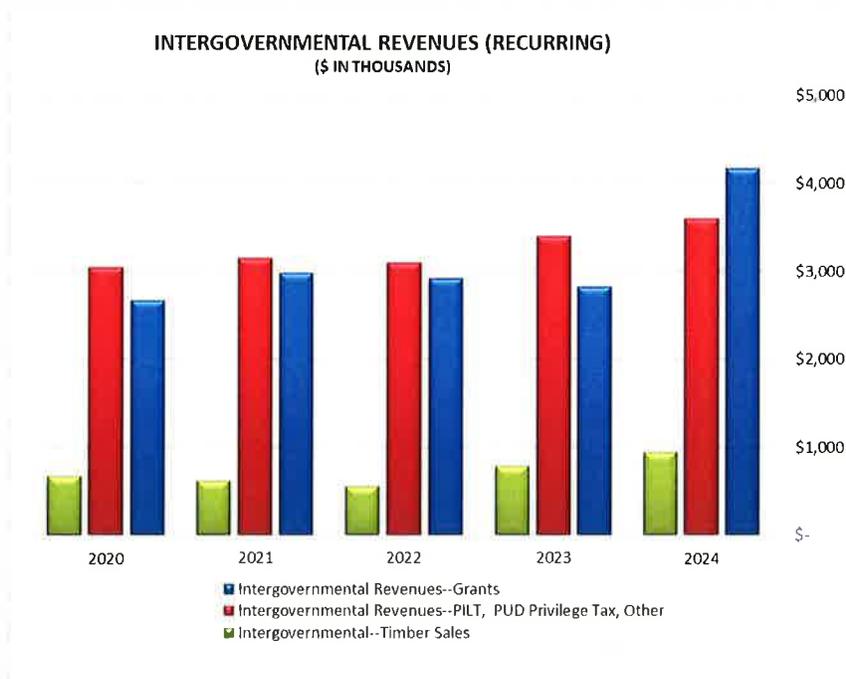
Intergovernmental grant revenues (excluding ARPA Section 605 and COVID/FEMA funds) are budgeted to increase \$1,346k or 47.8% driven principally by grant gains in:

- DCD Environmental Quality of \$859k (mainly due to new GMA update-related grants including DOC GMA Update grant 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;
- Superior Court (+\$60k AOC Rural Court Security grant and +\$16k for AOC Interpreter grant);
- Juveniles Services (up \$138k in CJS, Becca, HHS HCA CPWI, and Secure Crisis Residential Center grants);
- Sheriff Ops (up \$29k due to higher Sex Offender Verification Program & Stop Grant);
- Prosecuting Attorney—Child Support (up \$17k);
- District Court 1 (up \$26k in AOC Therapeutic Court grant); and gains in other areas.

Intergovernmental tax revenues including PILT, Criminal Justice, PUD Privilege taxes, Liquor and Marijuana excise taxes, and other taxes are projected to increase \$199k or 5.9%, reflecting increases of 3.5%-6.4% based on MRSC published guidance and historical trend.

Intergovernmental timber sales revenue (consisting of DNR timber sales) is projected to increase \$159k or 20.3% based on a revised 2024 estimate derived from June DNR 2023 timber harvest report, as partially adjusted for timber price premium trends observed over several auction cycles.

Below is a summary of how each our recurring sources of Intergovernmental Revenue have performed over the past 4 years:



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CHARGES FOR GOODS & SERVICES

Charges for Goods & Services are projected to increase \$1,487k or 18.9% in 2024 driven by a number of factors, including the ability to leverage additional County funding sources to support General Fund services (i.e. increased usage of HHS Foundational Public Health and Hargrove funds to support General Fund-funded departments including HHS Environmental Health, HHS Administration, Sheriff-Jail Medical, and our courts' various therapeutic courts), assumed continued recovery of certain services revenue streams impacted during COVID or by ongoing staffing shortages existing in certain departments that provide services, or other factors, as outlined below:

- Higher Department of Corrections' utilization of the Sheriff Jail's excess beds with (+\$20k improvement budgeted over forecasted 2023, but still budgeted at one-third of pre-COVID levels);
- Jail staffing levels rebounding to enable resumption of Chain Gang services to the Roads department (+\$200k over forecasted 2023—predicated on Jail staffing levels improving over that seen in 2023 which resulted in Chain Gang services being drastically reduced);
- Increased Sheriff Ops services fees of +\$115k due to higher law enforcement services billed to the Operation Stonegarden fund (\$61k), higher Jamestown contract policing (\$38k), and higher OPSCAN Radio Tech services;
- Increased interfund services provided to the HHS Foundational Public Health and other non-General Fund HHS funds by General-Fund-supported 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 (+\$97k);
- Increased Hargrove funding provided to District Court 1's mental health court (\$167k), Jail Medical (\$185k mainly to support additional 1 FTE mental health professional added to support increased inmate mental health demands in jail), Superior Court's family and drug therapeutic courts (\$40k); and
- Increases in other areas.

FINES & PENALTIES

Fines & Penalties are budgeted to marginally increase \$16k or 2.3% over 2023, reflecting slight growth of infraction revenues by both district courts, as partly offset by a continued decline in delinquency penalties on property taxes.

MISCELLANEOUS REVENUE

Miscellaneous Revenue is projected to total \$4.771 million in 2024, and consists mainly of interest income (totaling \$3.0 million in 2024), parks camping fees (totaling \$984k in 2024), Environmental Health operating assessments (\$290k), and fairground rental and concession fees (\$234k). Miscellaneous revenue is budgeted to increase \$429k or 9.9% in 2024, mainly due to modestly higher interest income due to continued gains in investment interest rates achieved during the 2nd half of 2023 enabling the Treasurer to continue to reinvest near-term maturing investments at modestly higher rates, with the assumption that rate increases by the Federal Reserve will slow after 2023 as

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the economy and inflationary pressures cool, as well as due to \$85k in higher unclaimed property revenues. These increases will be partly offset by a \$25k or 7% decline in interest on delinquent property taxes due to RCW changes made in 2021 impacting the amount of interest counties may collect. Campground revenues are currently projected to increase \$149k over 2023 based on historical trend growth and the impact of CPI-based and campsite site rate market comparison-based increases at Dungeness and Salt Creek campgrounds. Environmental Health operating assessments are projected to increase \$14.4k or 5.2%. County fair revenues related to rodeo/logging show purse sponsorships and concessions are budgeted to increase \$51k based on 2023 Fair results and plans to continue expanding event sponsorships. Fairground vehicle storage revenues are projected to increase \$11k based on higher rates being implemented.

TRANSFERS IN

Transfers In for the General Fund--consisting primarily of the return to the General Fund of previously provided working capital funds by the General Fund to various grant-funded projects-- are budgeted to total \$1,555k in 2024, consisting of:

- \$683k from the Lower Dungeness Floodplain Restoration project representing the remaining amount owed to the General Fund of advances made to this grant-funded project;
- \$578k from the non-recurring transfer of all interest income earned to-date on American Rescue Plan Act funds from the ARPA fund to the General Fund as interest earnings on ARPA funds are not subject to ARPA usage guidelines;
- \$250k from the Clallam Bay Sekiu Sewer fund for working capital previously provided it for the Dept of Ecology grant/loan-funded sewer improvement project which is expected to be complete by the end of 2024;
- \$40k recurring transfer to the Sheriff-Jail department from the Trial Courts Improvement fund; and
- \$4k transfer from Public Works for the employee wellness benefit program which is being transitioned to the General Fund's HR department for 2024.

This represents a \$2.659 million decrease from 2023 when \$4 million of the \$4.683 million of working capital funding provided by the General Fund for the Lower Dungeness Floodplain project was reimbursed to the General Fund as the project's major construction phases concluded, with the remainder to be returned to the General Fund upon completion of the project's remaining work in 2024. The remainder of the decrease is due to the \$125k of working capital funding being returned in 2023 to the General Fund following completion of the grant-funded purchase of the new Sheriff vessel purchased in the Boating Safety fund.

INTERGOVERNMENTAL—COVID REIMBURSEMENTS

Consisting of COVID-19 pandemic grant funding received under the CARES Act and under a FEMA grant, this revenue stream ended in 2023 with the final reimbursements being received from FEMA for COVID response costs incurred totaling \$86k. No COVID grant revenue is budgeted in the General Fund for 2024.

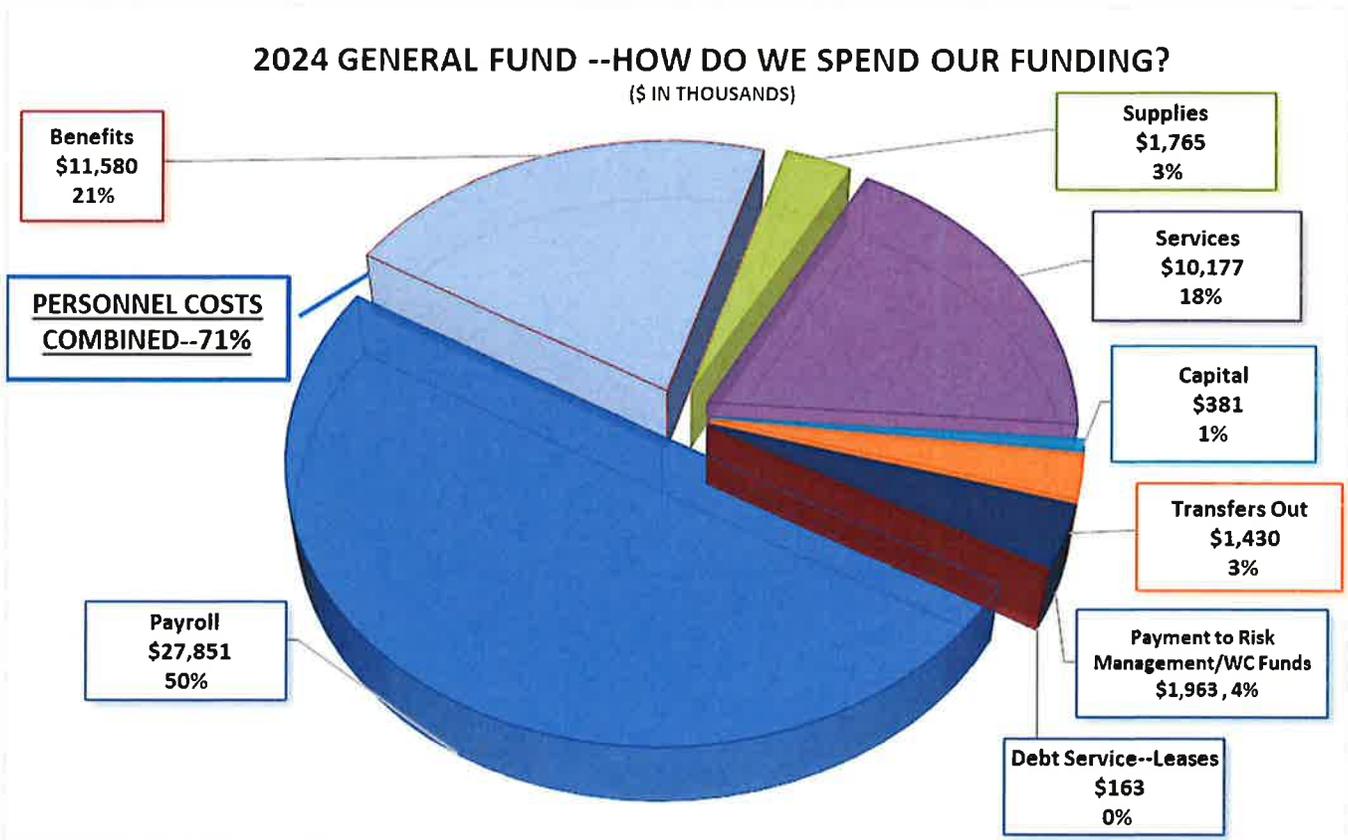
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EXPENDITURE BUDGET HIGHLIGHTS

Turning to expenditures, our General Fund Operating Expenditure budget, excluding COVID-related costs and Transfers Out, currently stands at \$53,879k, an increase of \$7,066k or 15.1% from our 2023 projected expenditures, and an increase of \$3,957k or 7.9% over the adopted 2023 budget. Transfers Out—consisting primarily of capital outlay funding provided to the Parks & Facilities Capital Projects and IT Capital Projects fund, working capital funding provided to grant-funded projects that generally are expected to be returned to the General Fund after the project concludes and all grant reimbursements have been received, and transfers provided as a subsidy to certain non-General Fund funds that require supplemental funding to operate (i.e. Veteran’s Relief, Local Crime Victim Witness fund, Solid Waste Fund, etc)—are budgeted to total \$1,430k in 2024, a decrease of \$1,864k or 56.6% from 2023 projected. After including Transfers Out, Total Expenditures are budgeted to total \$55,309k, an increase of \$5,202k or 10.4% over 2023 projected costs.

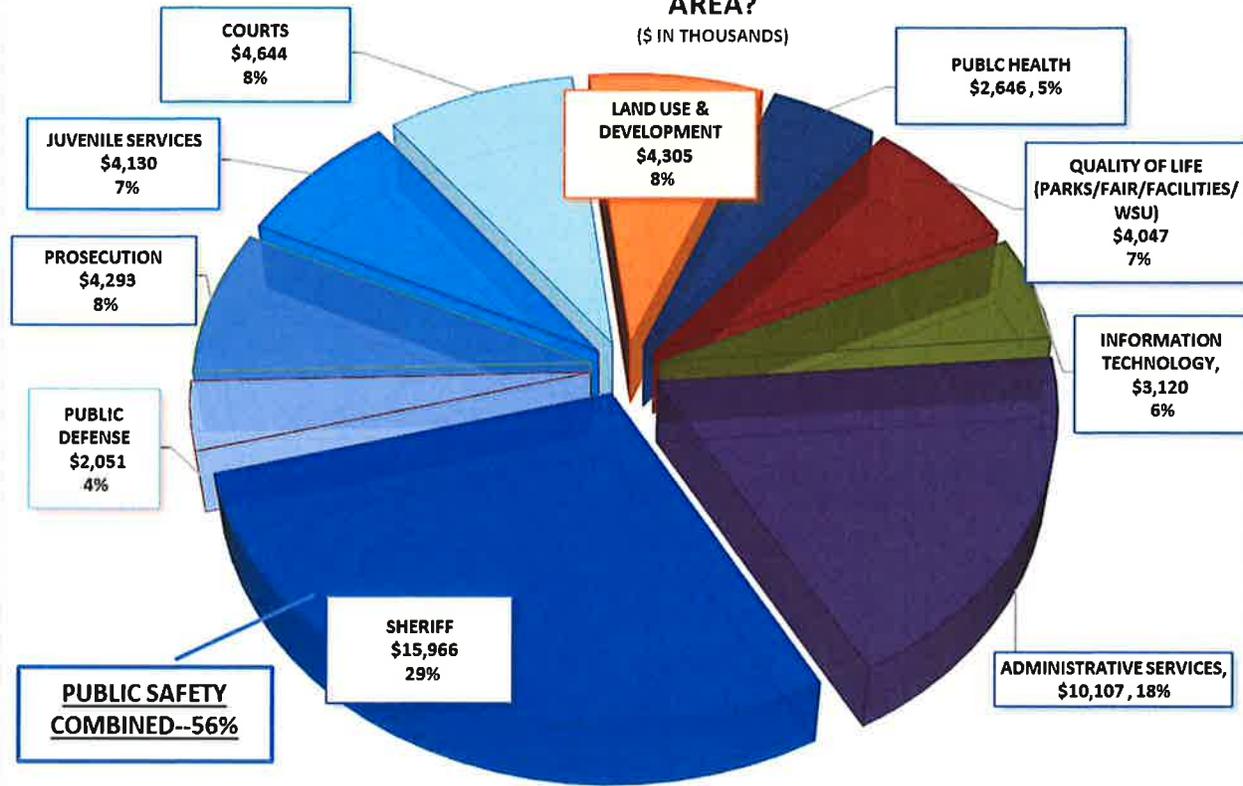
Below is a breakdown of how the General Fund spends its funds both by type of expenditure and by area:



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2024 GENERAL FUND --HOW DO WE SPEND OUR FUNDING BY MAJOR AREA?



SALARIES, WAGES & BENEFITS

The largest driver of the budgeted expenditure increase over 2023 projected expenditures is in Payroll and Benefits costs. Representing approximately 71% of our total expenditure budget, Payroll and Benefits are up \$3,280k or 13.4% and \$1,608k or 16.1%, respectively, to the 2023 forecast, mainly due to the fact that the budget assumes all budgeted staff positions are filled for the entire year as required under current policy, which clearly was not the case in 2023 and prior years where due to retirements, voluntary terminations, and other delays in filling positions during the year, the County continued this trend of having more open positions during 2023. This resulted in a projected budget underspend in payroll and benefits in 2023 of approximately \$2.5 million. Based on analysis of its 3-year and 5-year historical average payroll/benefits budget underspend, the County has underspent its Payroll budget between 7.1% to 7.7%, equal to between \$2.24 million and \$2.54 million of budget underspend. While not reflected in the current 2024 Draft budget due to policy, we anticipate a similar level of personnel budget underspend is likely to occur in 2024. **If you adjust our 2024 personnel cost budget for this anticipated historic underspend equal to approximately \$2.366 million based on the 2024 payroll budget, our combined personnel costs in reality are expected to increase \$2.522 million or 7.3% in 2024 as compared to projected 2023 costs.**

This 7.3% increase in overall payroll/benefits costs is largely being driven by collective bargaining-related COLAs of 2.5% in January 2024, pay step increases, pay adjustments due to position salary

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studies and position reclassifications completed and approved in 2023, a \$150k increase in budgeted leave payout costs assumed for 2024, the addition of 6.98 FTES (outlined below), a \$50-per-month increase in County-paid health premium increases for most collective bargaining units, incremental increases in longevity-based medical premium pay as provided for in the collective bargaining agreements renewed in July 2022 and July 2023, and higher worker's compensation costs due to higher claims costs and increased L&I rates across all employee classifications, as partially offset by savings due to turnover in certain positions that occurred in 2023.

Changes in Budgeted FTES

As outlined in the attached "Budgeted Staff Schedule History", the 2024 Draft Budget assumes a full staffing level for the General Fund of 342.67 FTES, which reflects 6.98 more FTES in 2024 as compared to the 2023 budget, based on the following changes:

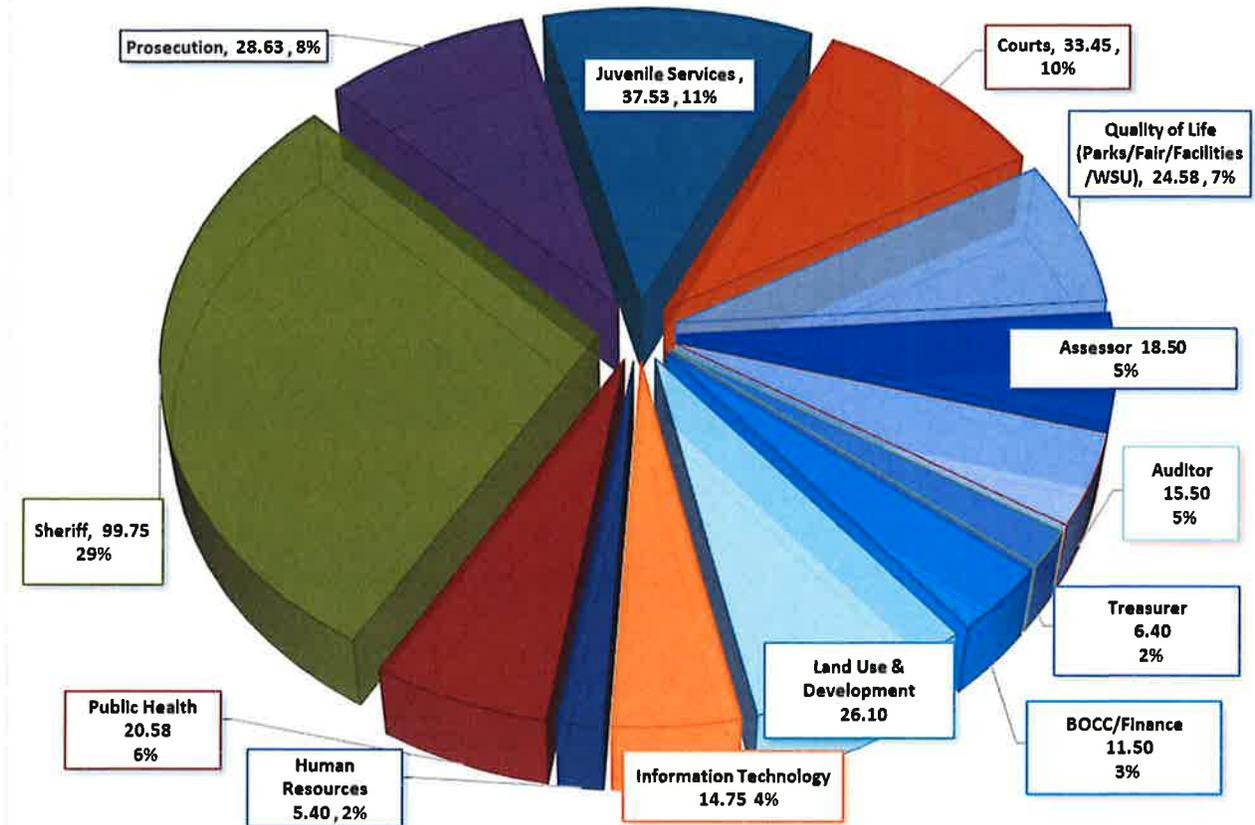
- Auditor (-.13 FTE due to combination of a part-time admin support position with a part-time voter registration position);
- BOCC Operations (+.52 FTE due to the decoupling of the County Administrator position from the HR Director position),
- DCD-Administration (+3.6 FTES, reflecting transfer of 2.6 Code Enforcement FTES budgeted in the Sheriff's 2023 budget plus hiring of 1.0 additional Code Enforcement FTE in '23);
- DCD—Environmental Quality (+.5 FTE grant-funded admin support position for MRC);
- DCD-Long Range Planning (+.06 FTE to reflect the Principal Planner position transitioning from 37.5 hour work weeks to 40 hour work weeks);
- Human Resources (+0.7 FTE reflecting the decoupling of the HR Director position from the prior County Administrator position, and transition of the payroll fiscal specialist position from part-time to full-time);
- HHS-Administration (+0.2 FTE—due to transition of Deputy Director position to full-time);
- Sheriff Operations (-.14 FTE, reflecting the transition of 2.6 Code Enforcement FTES to DCD, as offset by 2.5 FTE additions including an additional Patrol Deputy to be hired mid-2024, and a Body Camera Records Specialist and Accountant position added in 2023, as offset by a -0.5 FTE reduction resulting from the combination of a part-time evidence room specialist position and an administrative specialist position);
- Sheriff Jail (-0.5 FTE due to elimination of one part-time Admin Specialist position following realignment of command administrative support);
- Sheriff Jail Medical (+1.0 FTE due to the proposed addition of 1 additional Mental Health Professional in the Jail Medical staff to support the marked increase in the proportion of inmates exhibiting mental health issues which will be fully funded through Hargrove funding provided from the HHS Chemical Dependency/Mental Health fund);
- Prosecuting Attorney—Coroner (+1.0 FTE Deputy Coroner/Death Investigator);
- Superior Court (+0.5 FTE due to transitioning Family/Juvenile Case Management Coordinator position from part-time to full-time in 2023); and
- District Court (-0.3 FTE due to one probation officer moving from full-time to part-time)

Below is a breakdown of General Fund FTE Staff by Major Area:

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2024 GENERAL FUND --STAFF FTE COUNT BY MAJOR AREA



SUPPLIES

Supplies are projected to increase \$220k or 14.2% from 2023 as projected. This increase is principally the budgeting in 2024 of mandatory/recurring non-capital IT PC replacement, Arctic Wolf and Microsoft VDA software license and other datacenter and network equipment costs in IT's operating budget (\$172k) rather than in the IT Capital Projects fund as previously budgeted. The remainder of the increase is due to the inclusion of department requested increases in supplies Draft for inclusion in the budget (see attached "2024 Department Requests Over Base Recommended Budget"), as well as trending supplies underspend to budget projected in 2023, and increases in other areas.

SERVICES

Services in 2024 are projected to increase \$1,897k or 22.9% over 2023 projected services costs, and increase \$1,541k compared to the 2023 original budget. This increase is mainly due to the following:

- DCD Environmental Quality Grant-Funded Professional Services--a \$687k increase relating to new GMA update-related grants including the DOC GMA Update and DOC Climate Planning grant, as well as the DOE Lower Elwha Channel Migration Zone grant;
- Higher ER&R vehicle rental costs due to rising replacement vehicle replacement costs (\$272k);

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- Higher software maintenance and support contract costs across multiple areas (DCD-- Energov, Assessor PACs, Sheriff Body Cameras and Jail systems, others);
- Higher election services costs in the Auditor's Office in 2024 due to the Presidential Primary (+\$37k);
- Higher grant-funded professional services costs in DC1 for the mental health court (\$102k);
- Higher Sheriff contracted services costs in Animal Control (\$27k due to Humane Society contract renewal) and Jail Medical (\$42k increase in Wellpath contract);
- Higher contracted Indigent Defense costs of \$56k;
- Approximately \$296k of Department Requests Draft for approval (see attached "2024 Department Requests Over Base Recommended Budget"); and
- Other increases due to 2023 projected underspend to budget within Services in multiple areas, as partly offset by Blake LFO reimbursement costs transitioning from the Clerk's Office to the State in mid 2023 (\$75k).

PAYMENT TO RISK MANAGEMENT/WORKERS COMP FUNDS

The General Fund's share of Risk Management/Workers Compensation funds operating costs is budgeted to total \$1,963k, representing an increase of \$321k or 19.6% increase over 2023. This increase is being driven mainly by an expected 21%+ rise in WAC risk pool costs in 2024 over 2023 due to rising liability and property insurance costs being seen state-wide. 2023 property and liability insurances costs are also expected to exceed the 2023 budget by \$261k or 18% due to similar rising insurance premium costs charged by insurance carriers.

DEBT SERVICE COSTS

Debt service costs, consisting solely of certain office, land, and equipment leases with a lease term greater than one year, are budgeted to total \$163k, representing an increase of \$32k over 2022 that reflects lease rate contractual increases. As noted above, due to a change in accounting for certain of the County's leases that are 1 year or more in duration, lease rental costs must be accounted for as debt service costs rather than as a Services cost in prior years. This change affects multiple departments with office, land and other qualifying leases, with the most notable being the Juvenile Services land lease with Port of PA, as well as District Court II's office space lease with the City of Forks, Prosecuting Attorney—Child Support office space lease, and Sheriff--Operations Enhanced 911.

TRANSFERS OUT

Transfers Out are budgeted to total \$1,430k, a \$1,864k or -56.6% decrease from projected 2023. This decrease is mainly due to decreases in Transfer to Parks & Facilities Capital Projects fund (\$784k lower; primarily due to the a \$1 million transfer designated for the JPSF project funded in 2023), lower transfer to IT Capital Projects (\$121k; 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 planned in 2024) and lower transfer to the Clallam Bay Sekiu Sewer fund (\$140k) due to higher budgeted utility revenues reducing the level of subsidy needed. The decrease is also due to lower working capital transfer funding to the Dungeness Reservoir project reflected in 2024 (\$800k of working capital funding from the General Fund was provided in 2023 which should cover this Fund's working capital needs in 2024), and also due to a \$170k decrease in transfers to the Boating Safety fund due to the 2023 purchase of a grant-funded replacement Sheriff's vessel. These decreases were partially offset by a \$63k increase in transfer to the Public Works-Solid Waste Fund needed to fund

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Parks & Facilities Capital Projects fund (\$411k) and the IT Capital Projects fund (\$431k).

The Draft capital outlays are proposed to be funded through the following sources (source: "Proposed Capital Requests to Include in 2024 Budget" attachment):

- **Parks & Facilities Capital Projects Fund**--\$641k total, made up of \$121k for PFF Unanticipated Projects, \$150k to fund a Building Facility Security and Safety Architectural/Engineering Design plan, \$140k to replace Failed Dock Piles at Lake Pleasant, \$200k for an Office Space Reconfiguration/ Expansion placeholder to cover needs in the Auditor's Office, DCD, & Superior Court and others, \$10k for the cleaning & polishing of the Courthouse's Generator Diesel Fuel Tank, a 3-year project to update & install cuff ports in the jail cell doors, and more); the capital outlays from this fund will require a Transfer from the General Fund of \$411k. It should be noted that monies previously held in this fund for the purpose of the EOC Relocation project are budgeted to be transferred in 2024 to the new EOC Relocation Capital Projects Fund in the amount of \$1,404,038 in order to better account for this jointly-funded, multi-grant capital project.
- **IT Capital Projects Fund**--\$490k total, made up of a placeholder of \$375k for the migration from EDEN to an enterprise accounting system, an ongoing request to upgrade wireless network equipment of \$10k, \$50k for unanticipated IT projects, and an ongoing copier replacement plan request of \$55k; the capital outlays from this fund will require a Transfer from the General Fund of \$431k.
- **REET 1**--\$2,436k (consisting of the Juvenile Services membrane roof replacements of the \$725k (which is for the current Juvie & WSU Extension (old Juvie) buildings), continued replacement of the Courthouse VAV HVAC air system boxes of \$834k (includes \$334 of prior year carryover), \$325k for the replacement of an HVAC chiller at Juvie, a Dungeness Rec Area conduit installation project of \$200k for work to be done in conjunction with the Roads project for the relocation of the road away from the bluffs, \$200k for the roof replacement of the Fairgrounds Art Barn (\$120k of which is a previously approved rollover project from 2023), as well as \$160k of other smaller ongoing requests (courthouse flooring, parks trails & roads maintenance, jail locks replacement, and Historic Courthouse exterior preventative & restorative services).
- **REET 2**—\$1,215k in total, which includes a single capital project of \$56k for the installation of EV chargers at the Courthouse (a carryover project from 2023 that is fully grant funded), and transfers out budgeted of \$1,159k, including \$1,100k to Roads to fund 2024 road projects which includes the carryover \$400k ask approved for in 2022 to help fund the rebuild of Towne Road on the new Lower Dungeness Levy, and \$59k transfer to Carlsborg Water Mitigation fund for the projected remaining costs relating to the Van Lan deep water well and Clallam County PUD water right.
- **EOC Relocation**--\$1,267k consisting of the projected Phase 2b Detailed Design costs currently slated to be wrapped up by the end of 2024. At this point in time, construction work is not expected to begin until 2025 and last through 2026. This phase will be paid through a combination of \$1 million in funding committed each by the County and the City of Port Angeles/PENCOM in 2023 and up to \$0.8 million in grant funding under the WA

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Department of Commerce \$1.7 million grant appropriation from 2021-2023. As noted earlier, this project will be accounted for in its own separate capital project fund beginning in 2024 given the accounting complexities of this multi-agency jointly-funded, multi-grant capital project.

- **American Rescue Plan Act (ARPA)**--\$488k consisting of several non-recurring capital outlays including:
 - \$35k for an IT domain rebuild project (carry over project from 2023);
 - \$40k for Sheriff Jail Correction Officer handheld radio replacements;
 - \$100k for a Coroner truck and equipment which will enable the County to capture significant coroner services savings;
 - \$6k for new water fountains at Juvenile Services that have bottle filling capabilities;
 - \$127k for a John Deere tractor with loader and finish mower (carry over from 2023);
 - \$90k for the installation of additional door badge controls & cameras;
 - \$50k to enhance the WiFi at the Fairgrounds;
 - \$25k for the expansion of the electrical/network closet outside of the BOCC office suite; and
 - \$15k for security camera replacements at Juvenile Services.

- **General Fund**--\$381k consisting primarily of:
 - \$361k of Sheriff Operations/Jail/Emergency Services items (\$310k of which is for vehicle ER&R replacement and vehicle equipment for the scheduled replacement of 5 patrol vehicles, \$7k for interview room recording system improvements, \$6k for the purchase of an infrared-capable camera (fully grant-funded);
 - \$13k in DCD Permit Center for a 36" scanner needed to fully utilize the new Energov Permitting software; and
 - \$7k in Superior Court for Court Security Equipment (fully grant funded).

As noted earlier, Transfers from General Fund will be needed for Parks Facilities and Fair Capital Fund (\$411k) and the IT Capital Projects fund (\$431k) to fully fund the 2024 capital projects in these funds, which are noted in the 2024 Draft Budget;

- **Other Funds Capital Outlays**
 - Roads--\$5.154 million, including \$486k for ER&R vehicle/equipment costs, \$70k allocated for unplanned office or other small equipment purchase, \$3,498k of planned Right of Way and other Roads-based projects, and \$1.1 million of projects covered through REET transfers;
 - OPSCAN--\$175k for radio network equipment replacement;
 - Dungeness Off Channel Reservoir--\$3,050k for the next phase of Dungeness Off Channel Reservoir Project (to be 100% grant funded through grants rec'd to date);
 - Broadband Infrastructure--\$3,114k (includes \$2,800k of grant funding and a \$1,396k Transfer from ARPA for grant matching funds) for initial engineering/design, permitting, project management, materials, and right of way ascertainment;
 - Carlsborg Water Mitigation--\$81k for additional contractual services (with \$59k funded through a transfer from REET 2);

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- Clallam Bay Sekiu Sewer--\$5,331k (includes \$4,376k DOE grant/loan funded collection system rebuild project, \$940k to replace two of five pump stations (Opportunity Fund transfer funded), and \$15k for confined space retrieval system equipment);
- Carlsborg Sewer--\$350k for the previously approved Gupster Road Pressure Sewer Line extension project (Opportunity Fund funded); and
- ER&R--\$1,616k, consisting of vehicle and equipment replacements for Roads of \$934k and \$392k for General Fund, \$110k for FuelMaster Live software upgrade, and \$180k for general site maintenance to replace failing gutters on all ER&R buildings

In summarizing the total Draft capital spend by the key strategic initiative or summary categories incorporated into the 2024 Draft Budget, below outlines the capital spending by key initiative/grouping:

- **Broadband Expansion**--\$3,114,434
 - **Courthouse Space Assessment & Re-alignment**--\$225,000
 - **Courthouse/Juvenile Services Building Security**--\$90,000
 - **Deep Water Well/Water Mitigation**--\$3,130,630
 - **EOC Relocation**--\$1,266,667
 - **ER&R Funded Capital Outlays**--\$2,331,880
 - **IT Infrastructure Initiatives**, including:
 - **Applications**--\$375,000
 - **Network**--\$60,000
 - **Juvie Master Plan**--\$1,041,193
 - **Mandatory/Recurring/Regular Replacement**--\$210,309
 - **Non-Recurring Capital Outlay Funded Fully Through Grants/Dedicated Funds (No General Fund/REET Funding Needed)**--\$182,280
 - **Other Non-Recurring Capital Outlay**--\$3,978,000
 - **Previously Approved Carry Over Capital Outlays**--\$2,207,961
 - **Road Projects Supported Thru REET**--\$1,100,000
 - **Sewer System Repair/Replacement Initiatives**--\$5,316,000
- **TOTAL**--\$24,629,354
 - **Total Grant/Loan Funded**--\$12,386,432
 - **Total County (excluding General Fund) Funded**--\$11,133,414
 - **Total General Fund Funded**--\$1,109,508

CONCLUSION/ BUDGET TAKE-AWAYS

Based on this revenue and expenditure Draft budget, the budget reflects utilizing (\$3,190k) of General Fund reserves to fully fund the 2024 budget based on County policy which requires us to budget assuming all personnel positions are fully staffed for the entire year. However, as discussed previously and as outlined in the attached "Breakdown of Draft Budget Deficit", based on historical average underspend to our personnel and benefits budgets of \$2.24 million to \$2.54 million, **the General Fund's 2024 Draft Budget as adjusted would produce a projected deficit for 2024 of (\$794k)**, as compared to 2023's projected operating surplus of \$1,479k, which would leave an ending fund balance of \$12,332k for 2024, or a reserve of 23% of expenditures.

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ADDITIONAL ACTIONS TO REDUCE PROJECTED 2024 DEFICIT

While the County’s projected General Fund reserve levels are projected to remain above 20% and has essentially no long-term debt service commitments outside of office/land leases heading into 2024, additional actions are being taken to further reduce the projected funding deficit projected for 2024, including:

- **Deferral of Certain Open Personnel Positions** – as previously noted, based upon evaluation of a small number of currently open positions, it is anticipated that certain of these positions will be placed on an indefinite hold and removed from the final General Fund budget to be presented for BOCC approval and adoption on December 5th. The estimated reduction in budgeted personnel costs is estimated at approximately \$525k-\$530k;
- **Fee and Rate Schedule Review**—In an effort to build on the actions taken in 2023 in reviewing and revising its user fee and rate schedules in certain areas to better reflect market rates and changes in underlying costs (most notably within Parks and Fair), the County Administrator has requested several additional groups including Community Development and HHS Environmental Health to begin a review of their current fee and rate schedules for the services provided relative to those charged by our County’s peers. In many instances, these fees and rates have not been adjusted for over 10 years. While it is premature to estimate the potential revenue impact of these efforts prior to the finalization of the 2024 budget, we believe these rate schedule updates will yield meaningful additional fee revenue for the County’s General Fund that will assist in further reducing the projected operating deficit. We expect to see the results of these rate/fee reviews by the end of the 1st quarter of 2024, and begin implementing any rate/fee increases in the 2nd quarter of 2024.

RISK FACTORS TO CONSIDER:

REVENUES GROWING AT A SLOWER PACE TO EXPENDITURES

When one excludes non-recurring revenue including COVID and ARPA 605 intergovernmental revenues as well as the Transfers In/Out of the General Fund that are largely capital project related or for the provision of short-term working capital funding for large, grant-funded capital projects, and focuses solely on the recurring revenue and expenditures from operations of the General Fund, it is important to note that revenues from operations are growing at a rate lower than expenditures from operations as highlighted below:

	<u>Average Annual Growth Rate</u> <u>(2024-2020)</u>
Revenue from Operations	+6.7%
Expenditures from Operations (less anticipated Personnel cost underspend)	+8.0%

Contributing factors to this dynamic include:

- Our single largest revenue source—property taxes—is limited to 1% annual growth plus new construction.

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- While other tax sources such as sales & use tax help mitigate the minimal growth limits placed on property taxes, overall taxes are still growing at an average rate of 5.7% from 2020-2024 which is well below expenditure growth rates of 8%.
- Continued erosion of several significant revenue streams due to WA state legislative actions and court rulings over the past few years has negatively affected the fines, penalties, interest and other legal fees the County is able to enforce collection on, leading to a 4-year average annual decline of -4.7% in Fines & Penalties revenue.
- State actions taken during the COVID pandemic continue to have an echo effect on certain of the County's inter-agency revenues, most notably the marked decrease in excess jail bed utilization by the WA State Department of Corrections ("DOC") where due to reduced State inmate levels County jail bed revenues earned from DOC declined from an average of \$612k per year pre-COVID to \$160k projected in 2024, a 74% decline.
- The State continues to underfund indigent public defense costs. While the County is budgeted to incur \$2.1 million in Public Defense costs in 2024, the State has only historically contributed \$70k-\$74k per year towards these costs since 2018. Indigent defense costs have increased 7.7% per year since 2018.
- Representing 71% of our General Fund operating expenditures, personnel costs have grown at a rate of 6.3%, which in addition to exceeding average revenue growth, are increasingly being affected by a highly competitive labor market and rising labor costs which have made recruitment more difficult and costly.
- While recent gains in growing the investment interest the County earns on its reserves due to the significant rise in interest rates by the Federal Reserve over the past two years have been a boost to the County's revenue growth, it is unclear how long this will be sustained long-term once inflationary pressures subside and interest rates soften.
- Rapid cost increases in multiple areas over the last few years are placing considerable strain on the General Fund and other County funds, including:
 - WA State Risk Pool insurance costs (20%+ annual increases in insurance premiums becoming the norm, potentially leading to a point in the near future where some counties can simply no longer afford to participate in the pool or secure insurance on their own at an acceptable cost);
 - Rising Worker's Compensation costs due to higher claims costs and L&I rates assessed;
 - Jail Medical costs are projected to increase 12.3% per year from 2020 to 2024, as a result of healthcare staffing shortages and an increasing proportion of inmates with significant mental health, chemical dependency and chronic health issues that require medical treatment; and

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- Inflationary cost increases are significantly impacting everything from our cost to replace fleet vehicles and equipment, capital project costs, facilities maintenance, utilities, and supplies, software maintenance costs, fuel costs, etc.

LIQUIDITY IMPACT OF MULTI-YEAR GRANT-FUNDED PROJECTS

2024 will see the County continuing to be engaged in a number of multi-year, multi-million dollar projects which are fully or partially funded by grants and other state/federal resources, including:

- Lower Dungeness Floodplain--\$16.9 million project (Phase 2 construction scheduled for completion in 2022, with remain work involving Towne Road Replacement slated for completion in 2023);
- EOC Relocation/Joint Public Safety--\$20 million project (with approximately \$10.45 million of grants secured)
- Dungeness Reservoir--\$48.25 million project (\$14.75 million of grant funding secured)
- Joyce Broadband Expansion Project--\$22.4 million (fully grant funded with match covered by \$1.77 million committed from ARPA)

As most of these projects are funded through reimbursement grants, the projects have or will require varying levels of working capital funding support from the General Fund at various stages of the project to enable the projects to pay for project design and construction costs in advance of receiving grant funding reimbursements for such costs (with the exception of the Broadband project which will rely on committed ARPA funds for working capital). Once grant reimbursements begin to be received, those grant reimbursement funds then become a perpetual funding source for future project costs until the project is completed. Upon the project's completion and receipt of all remaining grant reimbursements, the fund that provided the initial working capital funding can then be fully repaid for all funds advanced (assuming the project is 100% grant funded).

As certain granting agencies have limited their grant reimbursement request windows to quarterly rather than monthly (which has affected reimbursements for Dungeness Off Channel Reservoir and Clallam Bay Sekiu Sewer) or have experienced grant reimbursement processing delays due to staffing shortages relating to the pandemic, this has the potential to place greater demand for working capital liquidity from our various reserves, including the General Fund. To mitigate these liquidity pressures, departments have been requested to closely coordinate and communicate with their granting agencies to ensure timely grant reimbursement submission and payment turnarounds, as well as to request as applicable a shortening of grant reimbursement windows to no less frequently than monthly. In 2023, we generally saw good evidence that this strategy is working as grant reimbursements have been timely submitted and reimbursed.

While we believe these projects have sufficient liquidity between grant funding awarded and the working capital provided already or available in the budget to fund their planned expenditures in 2024, continuing liquidity risks exist as it relates to unexpected delays, inflationary and supply chain cost increases creating funding gaps, incurrence of unexpected costs that may not be covered under the terms of the grant source, scope or design changes, etc that will require regular monitoring.

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Agenda Item Summary Draft Budget 2024 11132023

** Regular Meeting – Submit 1 single sided/not stapled copy and originals (1 or 3 copies)

Revised: 3-04-2019

Budgetary impact: (Is there a monetary impact? If so, are funds for this already allocated or is a budget change necessary? If this is a contract and a budget change is necessary, the budget change form must be submitted with the item at work session and for the regular agenda) **If a budget action is required, has it been submitted and a copy attached?**

This is the Draft version of the rolled up budget for 2024. No budgetary impact until the final adopted budget is approved in December 2023.

Draft action: (Does the Board need to act? If so, what is the department's recommendation?)

County Official signature & print name:  Mark Lane _____

Name of Employee/Stakeholder attending meeting: _____ Mark Lane, Todd Mielke, Rebecca Turner, Debi Cook _____

Relevant Departments: _____ Finance, BOCC _____

Date submitted:

November 8, 2023

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