



CLALLAM COUNTY PROPOSED FINAL BUDGET 2024

INDEX:

- (1) 2024 Proposed Budget Executive Summary;
- (2) 2024 Proposed Budget Summary—All Funds;
- (3) General Fund 4 Year Comparison of 2024 Proposed Budget to Projected/Actual Results for 2023-2020;
- (4) General Fund 4 Year Comparison of 2024 Proposed Budget to Adopted Budgets for 2023-2020;
- (5) General Fund Bridge Analysis of Changes Between 2024 Draft Budget and 2024 Proposed Budget;
- (6) General Fund Breakdown Analysis of the Change in Operating Surplus/Deficit between the 2024 Proposed Budget Deficit and 2023 Forecasted Surplus/(Deficit);
- (7) 2024 Proposed Budget General Fund Revenue, Expenditure and Staffing Charts by Type and by Program;
- (8) 2024 Budget Salary Worksheet Breakdown by Department/Fund;
- (9) 2024 Budgeted Staffing Schedule 10 Year History;
- (10) 2024 Department Requests Over Base Preliminary Budget;
- (11) 2024 Proposed Capital Outlay Budget—by Fund;
- (12) 2024 Proposed Capital Outlay Budget--Key Strategic Capital Project;
- (13) 2024 Recommended Capital Request Excluded from 2024 Proposed Budget;
- (14) 2024 Budgeted Transfers for All Funds;
- (15) 2024 Indirect Cost Allocation Charges from General Fund;
- (16) Estimated Sales Tax Impact—WSDOT Infrastructure Projects 2020-2027
- (17) Budget Resolution Adopting the 2024 Clallam County Budget; and
- (18) Budget Resolution Adopting the 2024 Clallam County Budget Emergency Appropriations.



AGENDA ITEM SUMMARY

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

Department: Finance

WORK SESSION Meeting Date:

REGULAR AGENDA Meeting Date: 12/5/2023

Required originals approved and attached?
Will be provided on:

Item summary:

- Call for Hearing Contract/Agreement/MOU - Contract #
- Resolution Proclamation Budget Item
- Proposed Final Ordinance Final Ordinance 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 Proposed Final Budget for the required public hearings to be held on Tuesday, December 5th, 2023 at 10:30am and 5pm in the Board Room via in person, online or the telephone. These materials for the 2024 Proposed Final Budget may also be viewed on the County's website under Departments \ Finance \ Budget \ County Budgets \ Proposed Budget 2024. Following hearing of testimony and questions from the public and staff, the Commissioners will then proceed in moving forward with adoption of the Proposed Budget that evening, or if a hearing extension is needed to allow for further changes to be made, no later than Tuesday, December 12th.

The following materials have been provided to accompany this summary:

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

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- 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.

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 Proposed Final 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 Proposed Final 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 Proposed Final 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 Proposed Final 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 3.03% 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

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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.

OVERVIEW OF CHANGES MADE BETWEEN DRAFT VERSION OF BUDGET AND PROPOSED FINAL BUDGET

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

- **REVENUE CHANGES—increased \$23k**, mostly due to:
 - INTERGOVERNMENTAL REVENUES increasing \$32k due to additional grant revenues budgeted for Juvenile Services (+\$20k related to WSP-NCHIP grant) and Superior Court (+\$22k for SBHO Criminal Justice Treatment), as offset by a \$8k decrease due to lowered 4th quarter 2023 projections for various liquor and marijuana excise taxes; as partially offset by
 - TAXES decreasing (\$9k) due to revised Juvenile Services sales tax based on October-December 2023 sales tax projections.
- **EXPENDITURE CHANGES—decreased (\$492k)**, primarily driven by:
 - PAYROLL decreased (\$442k) relating to the indefinite deferral of seven currently open staff positions in various areas, including Juvenile Services, Prosecutor's Office, HHS Environmental Services, BOCC, and District Court 1.
 - BENEFITS decreased (\$181)k mainly due to the indefinite deferral of seven currently open staff positions in various areas as outlined above;

These EXPENDITURE DECREASES were partially offset by the following INCREASES:

- SERVICES increased \$73k mainly due to:
 - Additional grant-funded services related to additional grant revenues added in the areas of Juvenile Services (+\$20k professional services related to WSP-NCHIP grant) and Superior Court (+\$22k SBHO-funded substance abuse recovery support services);
 - Additional training registration costs added in Sheriff Ops (\$4k; related to additional 1 Patrol position to begin 7/1); and
 - Indigent Defense (+\$27k related to new conflict attorney amended contract).

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- CAPITAL OUTLAYS increased \$6k due to addition of infrared camera outlay in Sheriff Enhanced 911 as outlay was identified as grant-eligible; and
 - TRANSFERS OUT increased \$54k due to increased transfer funding to the IT Capital Projects fund based on revised IT Capital Projects fund carryover reserves.
- **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 \$515k from the Draft Budget, from (\$3,190k) down to (\$2,675k) 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 (\$317k), an improvement of \$477k or 60% from the (\$794k) deficit reflected in the prior Draft Budget.**
 - **Based on this projected net operating deficit, the General Fund is expected to have ending fund reserves in 2024 of \$12,810k, or 24% of total expenditures, as compared to \$12,332k projected in the prior Administrator Recommended Budget.**

GENERAL FUND BUDGET OVERVIEW

At a high level, the 2024 Proposed Final Budget projects a beginning General Fund Balance of approximately \$13.127 million, Revenues totaling \$52.143 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 \$54.818 million, resulting in a budgeted use Reserves of (\$2.675) million, and leaving an ending General Fund Balance of \$10.451 million, representing an ending reserve level of 19% 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 Proposed Final budget deficit for 2024 is closer to a (\$317k), as compared to 2023's projected surplus of \$1,479k, which would leave an ending fund balance of \$12.810 million for 2024, or a reserve of 24% 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 \$50,587k, representing a \$4,556k or +9.9% increase over 2023 projected revenue expected, and a \$4,920k or 10.8% 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 \$1,342k 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

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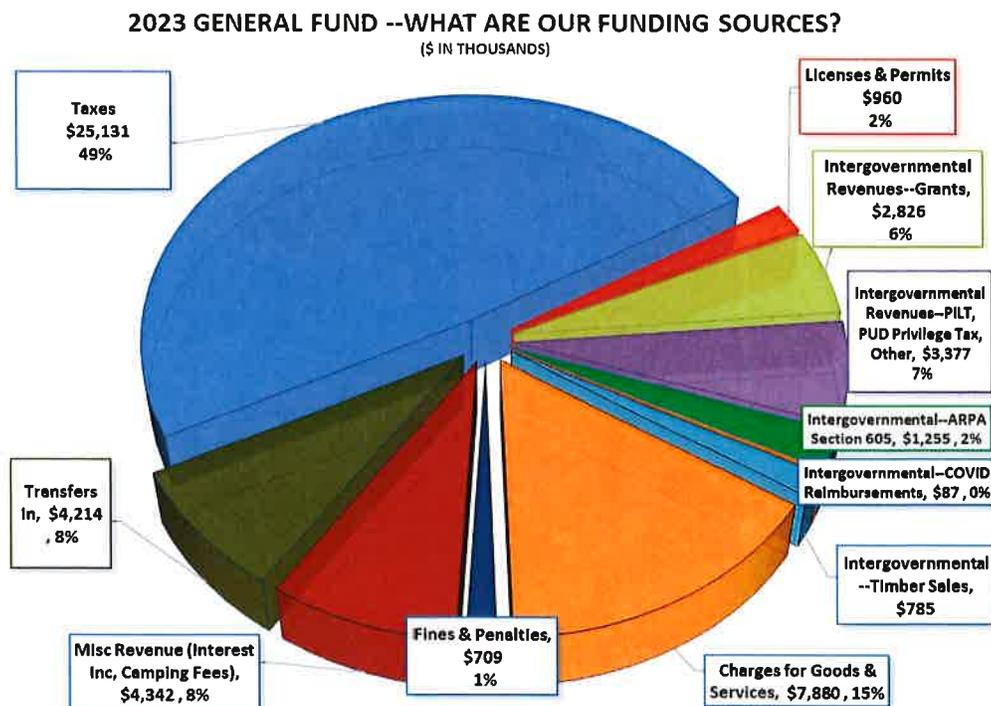
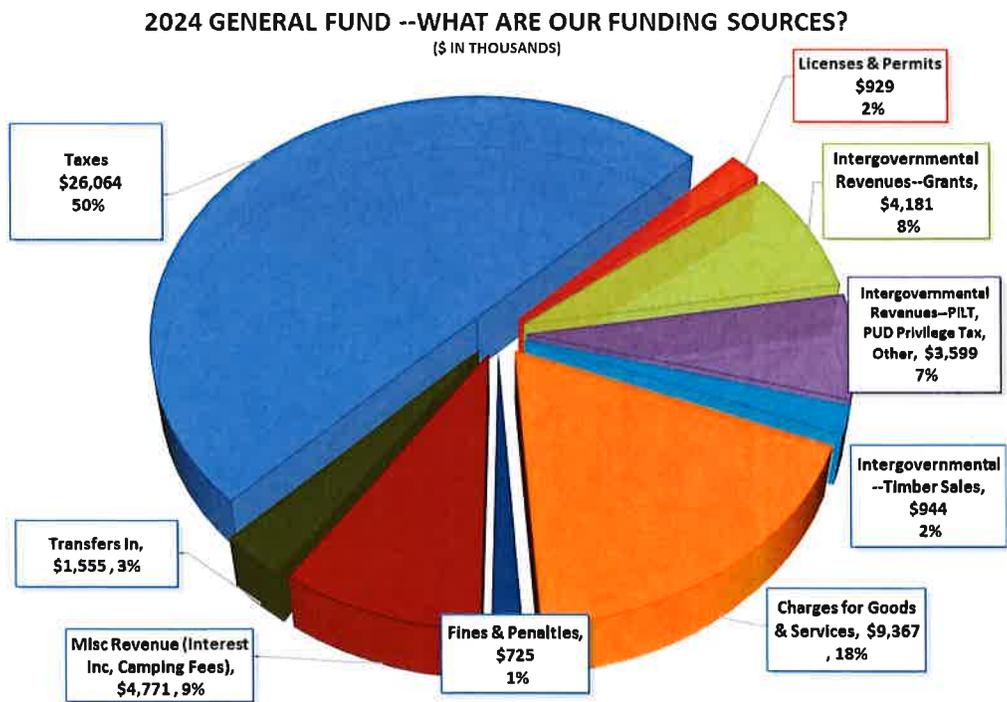
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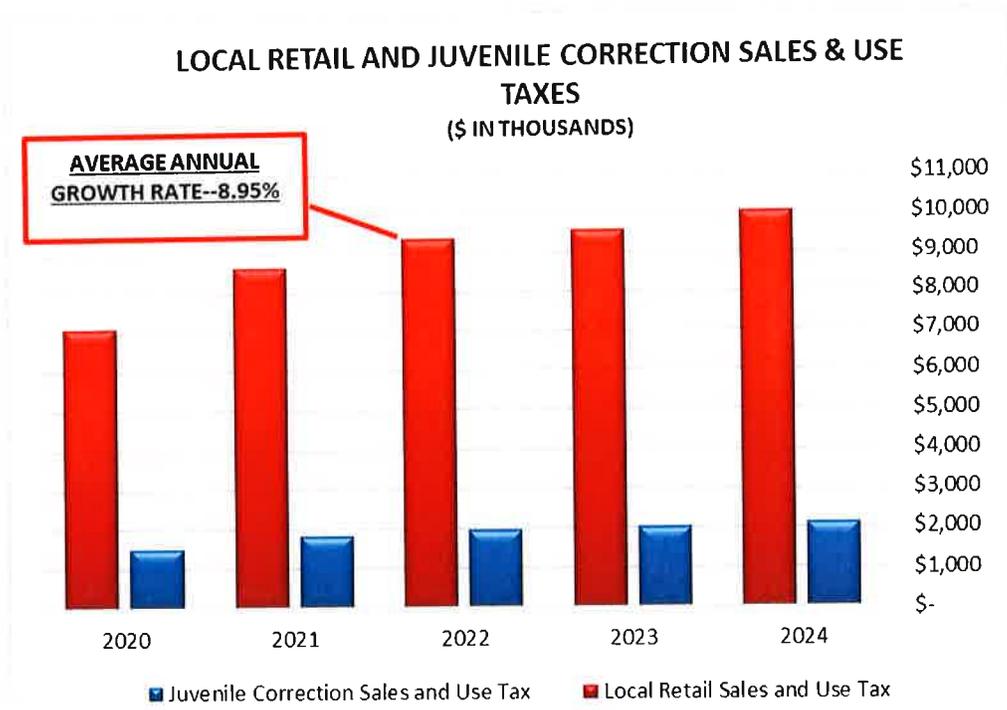
revenue. Total Revenue, including COVID/ARPA 605 revenues and Transfers In, overall is budgeted to total \$52,143k, an increase of \$556k or 1.1%.

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



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Sales-driven taxes including local retail sales & use tax and juvenile correction sales and use taxes—representing 46.5% of total tax revenue and 23.3% of total General Fund revenue-- are projected to increase a combined \$538k or 4.64%, which again reflects our assumption that sales taxes will grow at a combined growth rate of 4.6%, 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 3.0% 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 6.4% in 2024 based on MRSC published guidance. Timber excise & leasehold excise taxes are projected to increase 12.5% 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

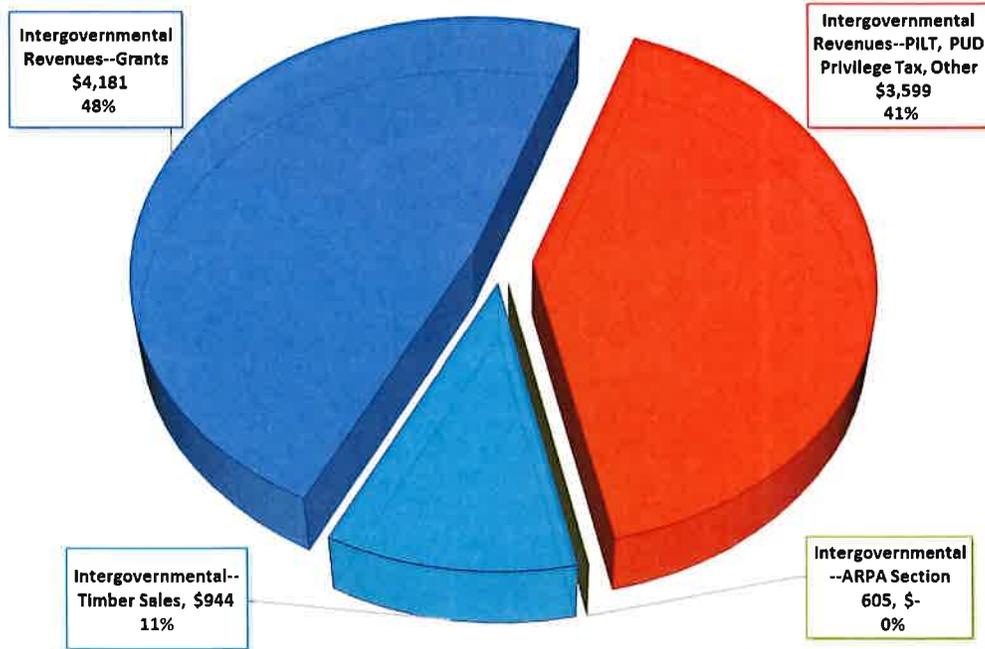
Overall, Intergovernmental Revenues--consisting of federal and state grants, intergovernmental tax and excise payments received by the County, and now DNR timber sales --is budgeted to total \$8,725k, representing 16.7% of total General Fund revenue budget and reflecting a marginal increase of \$395k or 4.7% in 2024.

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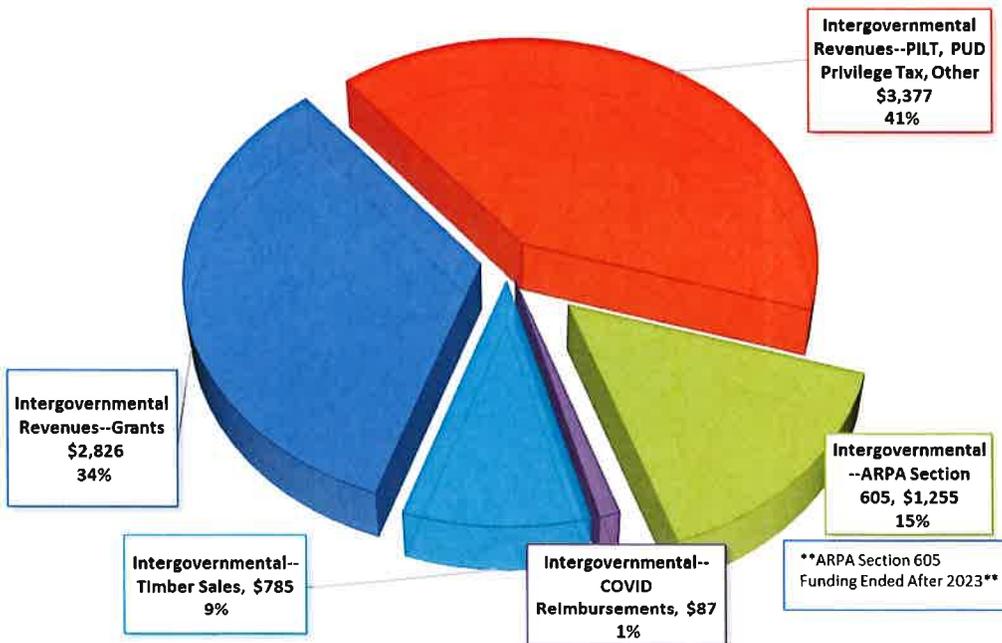
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To understand the reason for the year-over-year marginal increase in total Intergovernmental Revenue, below is a side by side comparison of the sources of intergovernmental revenues for 2024 and 2023.

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 sunsetting 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.

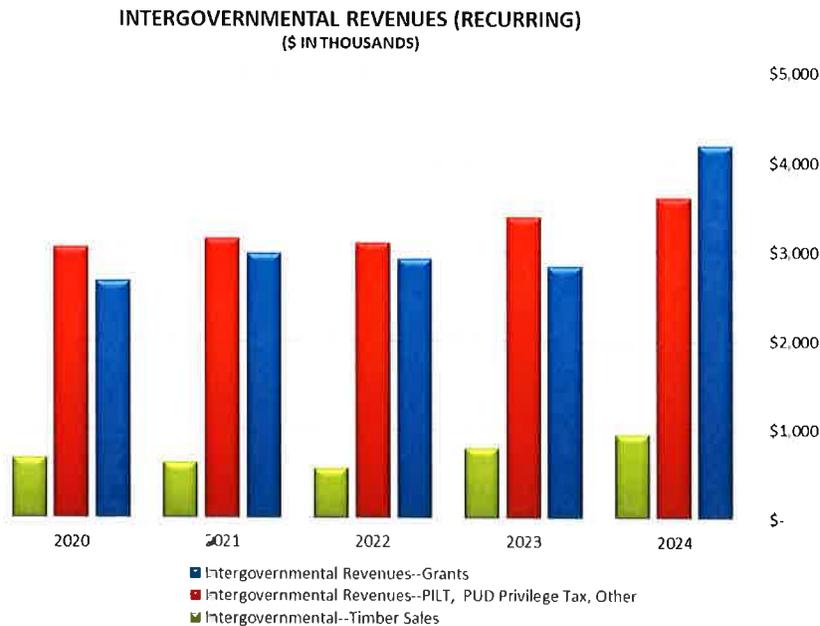
Intergovernmental grant revenues (excluding ARPA Section 605 and COVID/FEMA funds) are budgeted to increase \$1,355k or 48% driven principally by grant gains in:

- DCD Environmental Quality of \$859k (mainly due to new GMA update-related grants including DOC GMA Update 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, +\$22k for SBHO Criminal Justice Treatment, and +\$16k for AOC Interpreter grant);
- Juveniles Services (up \$158k in CJS, Becca, HHS HCA CPWI, WSP-NCHIP 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 \$222k or 6.6%, 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 September 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 (excluding ARPA Section 605 and COVID funds) 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 \$87k. No COVID grant revenue is budgeted in the General Fund for 2024.

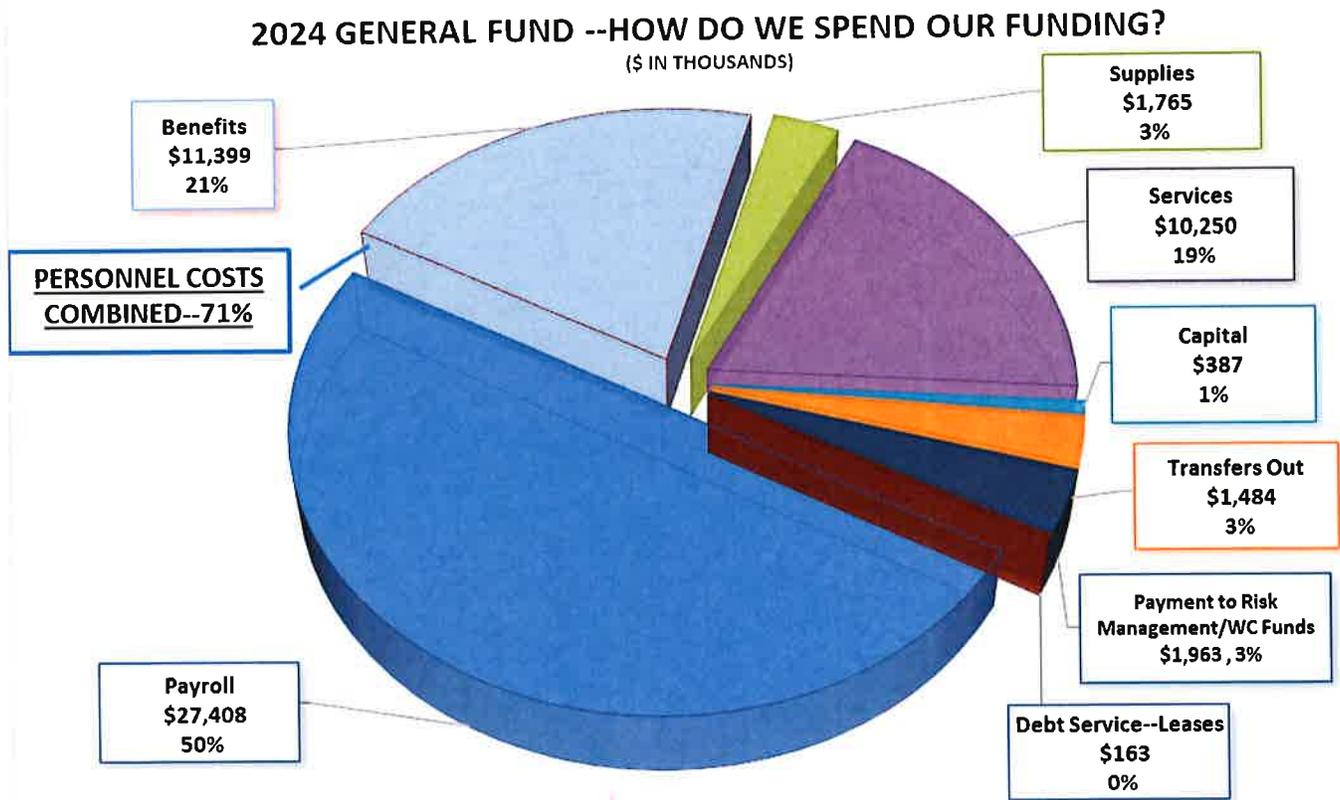
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EXPENDITURE BUDGET HIGHLIGHTS

Turning to expenditures, our General Fund Operating Expenditure budget, excluding COVID-related costs and Transfers Out, currently stands at \$53,334k, an increase of \$6,520k or 13.9% from our 2023 projected expenditures, and an increase of \$3,412k or 6.8% 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 \$1,484k in 2024, a decrease of \$1,810k or 55% from 2023 projected. After including Transfers Out, Total Expenditures are budgeted to total \$54,818k, an increase of \$4,710k or 9.4% over 2023 projected costs.

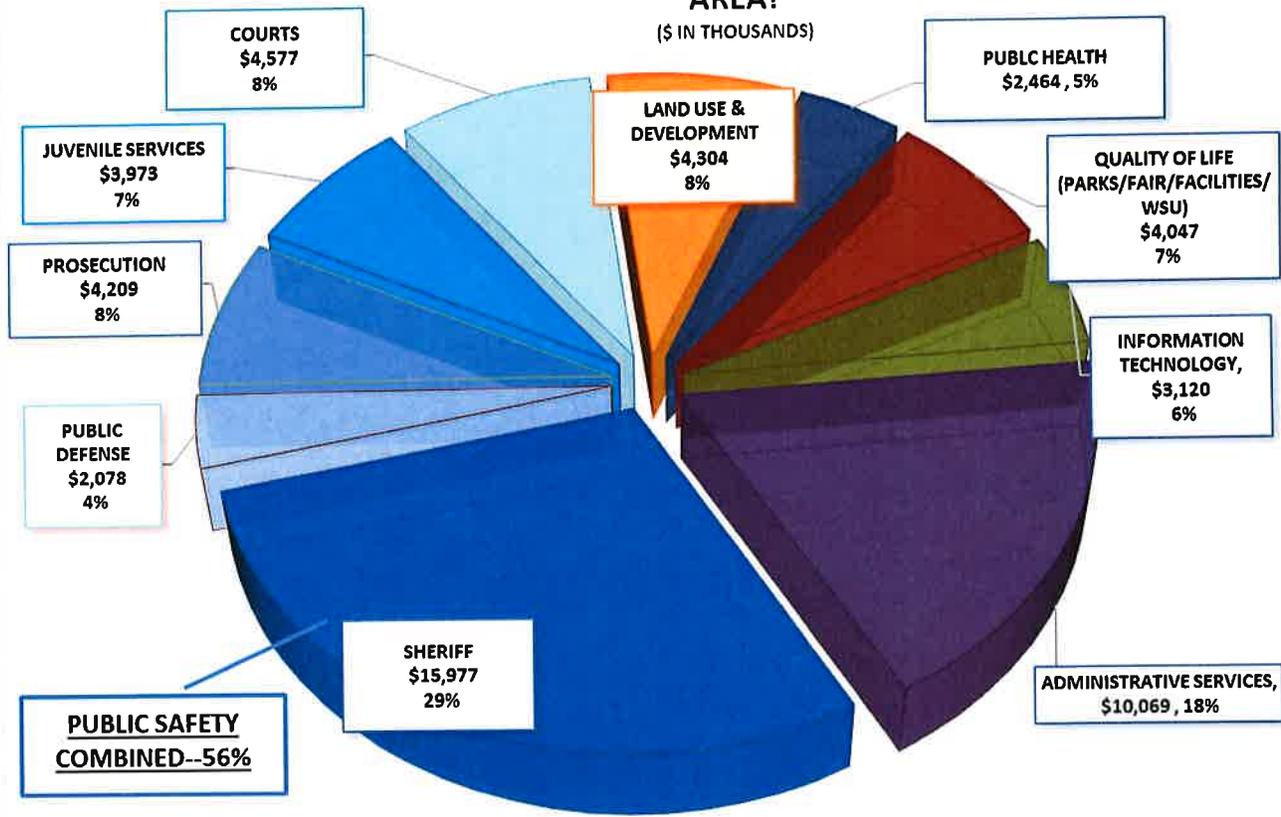
Below is a breakdown of how the General Fund spends its funds both by type of expenditure and by area:



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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 \$2,837k or 11.6% and \$1,480k or 14.9%, 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 Proposed Final 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 \$2.328 million based on the 2024 payroll budget, our combined personnel costs in reality are expected to increase \$1.989 million or 5.8% in 2024 as compared to projected 2023 costs.**

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This 5.8% 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 studies and position reclassifications completed and approved in 2023, a \$150k increase in budgeted leave payout costs assumed for 2024, the FTE changes 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 that occurred in 2023 in certain positions and the indefinite deferral of certain open staff positions across multiple departments.

Changes in Budgeted FTEs

As outlined in the attached "Budgeted Staff Schedule History", the 2024 Proposed Final Budget assumes a full staffing level for the General Fund of 335.42 FTEs, which reflects .27 less FTEs in 2024 as compared to the 2023 budget, based on the following changes:

- Auditor (-.38 FTE due to combination of a part-time admin support position with a part-time voter registration position);
- BOCC Operations (-.48 FTE due to the deferral of an open BOCC analyst position, as offset by 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-Environmental Health (-2.0 FTE—due to deferral of two open positions);
- 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—Operations (-1.0 FTE—due to deferral of one open Legal Assistant position);
- Prosecuting Attorney—Coroner (+1.0 FTE Deputy Coroner/Death Investigator);
- Juvenile Services (-2.0 FTE—due to deferral of two open positions--Probation Officer and a Volunteer Coordinator position);

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SERVICES

Services in 2024 are projected to increase \$2,003k or 24.3% over 2023 projected services costs, and increase \$1,647k 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);
- 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) and Juveniles Services (+\$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 renewal) and Jail Medical (\$42k increase in Wellpath contract);
- Higher contracted Indigent Defense costs of \$83k;
- Approximately \$296k of Department Requests Proposed Final 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.

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Agenda Item Summary Proposed Budget 2024 11292023

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TRANSFERS OUT

Transfers Out are budgeted to total \$1,484k, a \$1,810k or -55% 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 (\$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 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 the recommencement of monitoring for the closed Lake Creek landfill in 2024 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.

Transfers Out from the General Fund included in the 2024 Proposed Final Budget include the following:

• Capital Projects—Parks & Facilities	\$412,000	(\$784k lower from prior year)
• Capital Projects—IT	484,000	(\$67k lower from prior year)
• PW—Solid Waste	70,000	(\$63k higher than prior year)
• HHS Operations	125,000	(same as prior year)
• Local Crime Victim Comp	67,000	(\$15k lower than prior year)
• Veterans Relief	123,000	(\$12k higher than prior year)
• PW--Flood Control	74,000	(\$2k higher than prior year)
• PW—Carlsborg Sewer	96,000	(\$96k higher than prior year)
• Law Library	17,000	(\$2k higher than prior year)
• Employee Healthcare	--	(\$19k lower than prior year)
• HHS Chemical Dependency/Mental Health	6,000	(same as prior year)
• Sheriff Honor Guard	10,000	(\$10k higher than prior year)

TOTAL TRANSFERS OUT—2024 **\$1,484,000**

2024 CAPITAL PLAN INCLUDED IN THE 2024 PROPOSED FINAL BUDGET

In conjunction with presentation of the updated 5 Year Capital Plan to the BOCC at the November 27, 2023 work session, attached is the breakdown of capital outlay requests included as part of the 2024 Proposed Final Budget, as well as those requests that we propose be deferred at this point. These materials include the following:

- **2024 Proposed Final Capital Outlay Budget--By Fund--** which lists all proposed capital requests sorted by department and fund. Also included at the bottom of this schedule is a Capital Funding Sources and Uses Summary that outlines which fund we propose be used to finance the proposed capital outlays, and the budgeted beginning and ending fund balance

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Agenda Item Summary Proposed Budget 2024 11292023

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

Revised: 3-04-2019

and projected revenue and other non-capital expenditures of each respective source fund for 2024;

- **2024 Proposed Final Capital Outlay Budget--By Key Strategic Capital Project--** includes a summary of the proposed capital spending for 2024 by key strategic initiative/grouping category created for the capital planning process;
- **2024 Proposed Capital Requests Excluded from 2024 Budget--** reflects those lower priority capital requests which we recommend be deferred based on current funding limits and level of priority.
- **CAPITAL REQUESTS--** we are proposing a total of **\$25,952,234** of capital outlays for the 2024 budget and deferring \$408,285 of requests identified in the current Proposed Final of the 2024 capital plan. Of this amount, **the General Fund capital outlays are budgeted to total \$387k** (of which \$19k is grant funded). In addition, as outlined below, **the General Fund is also budgeted to provide capital outlay transfers totaling \$896k, including to the Parks & Facilities Capital Projects fund (\$412k) and the IT Capital Projects fund (\$484k).**

The Proposed Final 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 \$412k. 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 \$484k.
- **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

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Agenda Item Summary Proposed Budget 2024 11292023

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

Revised: 3-04-2019

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 \$1,000k in funding committed each by the County and the City of Port Angeles/PENCOM in 2023 and up to \$800k in grant funding under the WA Department of Commerce \$1,700k 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.
 - In addition to these capital outlays, the ARPA fund will also be transferring \$1,396k to the Broadband Expansion fund in 2024 to fund the local match required under one of the broadband grants and providing working capital funding during the project.
- **General Fund**--\$387k consisting primarily of:
 - \$367k of Sheriff Operations/Jail/Emergency Services items (\$316k of which is for vehicle ER&R replacement and vehicle equipment for the scheduled replacement of 5 patrol vehicles (including 2 Responder models, 2 Hybrid Interceptor models, and 1 Interceptor model), \$7k for interview room recording system improvements, and \$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

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- \$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 (\$412k) and the IT Capital Projects fund (\$484k) to fully fund the 2024 capital projects in these funds, which are noted in the 2024 Proposed Final Budget;

- **Other Funds Capital Outlays**

- Roads--\$5,535k, including \$867k for ER&R vehicle/equipment costs (of which \$381k are carryovers of 2023 approved purchases not anticipated to be received until 2024), \$70k allocated for unplanned office or other small equipment purchase, \$3,498k of planned Right of Way and other Roads-based projects, and \$1,100k 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);
- 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--\$2,551k, consisting of vehicle and equipment replacements for Roads of \$1,867k (of which \$934k are carryovers of 2023 approved purchases not anticipated to be received until 2024) and \$394k for General Fund (including \$61k of carryover of 2023 approved purchases), \$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 Proposed Final capital spend by the key strategic initiative or summary categories incorporated into the 2024 Proposed Final 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**--\$2,278,880
- **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

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Agenda Item Summary Proposed Budget 2024 11292023

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

Revised: 3-04-2019

- 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
 - 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

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