



AGENDA ITEM SUMMARY

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

Department: Finance

WORK SESSION **Meeting Date:** **11/15/2021**

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 2022 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:

- Tuesday, November 30th—Public Hearing at 10:30am to Certify County Property Tax Levy for 2022;
- Monday, December 6th—Small Action Item at end of BOCC Work Session for Certification of Property Tax Levy of Junior Taxing Districts;
- Tuesday, December 7th—Public Hearings at 10:30am and 6pm in the Board Room to adopt final budget by resolution.
- Tuesday, December 14th—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:

- 2022 Draft Budget Summary—All Funds;
- General Fund 4 Year Comparison of 2022 Draft Budget to Projected/Actual Results for 2021-2019;
- General Fund 4 Year Comparison of 2022 Draft Budget to Adopted Budgets for 2021-2019;
- General Fund Breakdown Analysis of the Change in Operating Surplus/Deficit between the 2022 Draft Budget Deficit and 2021 Forecasted Surplus;

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- General Fund Bridge Analysis Summarizing the Changes Made between the 2022 Recommended Budget and the Draft Budget;
- 2022 Draft Budget General Fund Revenue, Expenditure and Staffing Charts by Type and by Program;
- 2022 Budget Salary Worksheet Breakdown by Department/Fund; and
- 2022 Department Requests Over Base Draft Budget, as marked to show those items approved for inclusion in the Draft budget based on BOCC feedback and those items to be deferred;
- 2022 Budgeted General Fund Indirect Cost Charges by Fund;
- 2022 Budgeted Transfers between Funds; and
- 2022 Draft Capital Outlay Budget reflecting BOCC feedback received during the 5 Year Capital Plan discussion held on October 18, 2021.

As noted in prior budget discussions, all departments have budgeted that all positions are assumed filled for the entire year in accordance with how policy currently requires us to budget, which has not historically mirrored the County's actual payroll spending trends where the County has underspent its personnel budgets in the General Fund between \$1.6 million and \$1.9 million each year due to open positions, turnover and retirements (further discussion below). This initial budget also reflects estimates for 2022 revenue which are partly dependent on the current revenue forecast assumptions for 2021, as well as many additional variables (any resurgent economic disruptions due to the COVID emergency, GDP growth and inflationary growth expectations based on most recent state economic forecasts, local economic conditions, continuance of supply of chain disruptions, changes in long term and short term interest rates, and other revenue guidance available thru MRSC and other sources, etc). Sales tax assumptions used in the 2022 Draft budget have been tempered considerably from the 16%+ growth forecasted in 2021, but at a 5% assumed growth appear achievable given the current economic outlook, inflationary expectations, and are consistent with projected 2022 retail sales and state GDP growth projected for the state in their last economic forecast report.

Several changes have been made to the 2022 Recommended Budget in arriving at the 2022 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 \$1,117k**, including increases made to:
 - Taxes---+\$400k reflecting effect of increases made to 2021 forecasted sales taxes on which 5% budgeted growth for 2022 is assumed, as offset by a \$129k decrease in budgeted property taxes to reflect the updated 2022 levy rate calculations based on new construction and assessed values from the Assessor);
 - Intergovernmental Revenue---+\$280k increase mainly relating to new grant revenue added to District Court 1 for the AOC Mental Health Court grant recently awarded and in Superior Court for an AOC Uniform Guardian grant awarded for 2022, and additional grant funding added in other areas;

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- Charges for Goods & Services—decreased (\$56k) due to elimination of \$200k of Hargrove tax funding to District Court 1 for the Mental Health Court (due to new AOC grant funding secured for 2022 to fund the first year of operating the mental health court), elimination of \$18k in services revenue from WSU Extension’s Olympic Peninsula Health Communities Coalition, as offset by \$162k of Foundational Public Health services revenue added to the HHS Environmental Health budget;
 - Miscellaneous Revenue—decreased \$107k due to elimination of DCD Long Range Planning’s Puget Sound Partnership Agreement for 2022;
 - Transfers In--+\$600k increase includes \$350k of additional transfers from the Lower Dungeness Floodplain project based on revised cost and grant reimbursement projections for the project, and addition of \$250k relating to reimbursement of bridge funding to be provided to Clallam Bay/Seki Sewer as DOE grant/loan reimbursements are received relating to the sewer collection system rebuild project.
- **EXPENDITURE CHANGES—increased \$4,129k**, primarily driven by the following:
 - Payroll & Benefits—increased \$189k and \$72k, respectively, due mainly to Assessor extra help added to fund transitional staff needed for a pending GIS specialist planned retirement, the addition of the Treasurer Fiscal Specialist II position in 2021, the transfer of a 1 FTE Customer Service staff position from HHS Ops to HHS Environmental Health in support of new foundational public health grant-funded activities, and adding \$82k of District Court 1 extra help funding relating to support of the new Mental Health Court (previously reflected as a placeholder in services/supplies);
 - Services—decreased (\$216k) mainly due to a \$166k increase in indirect charges assessed by the General Fund to other funds based on true up of the 2020 indirect cost allocation plan, the elimination of \$107k in DCD-Long Range Planning professional services due to the elimination of the Puget Sound Partnership Agreement, recharacterization of \$56k of placeholder services costs for DC1’s mental health court to salaries costs, and other decreases, as offset by increases in services in other areas (including the addition of AOC Guardianship-grant funded costs in Superior Court, and additional WSU-Contract Services costs relating to the approval of a FT Animal Agriculture Agent position);
 - Capital Outlays—increased \$363k due to the inclusion of the 2022-slotted capital outlays included in the updated 5 Year Capital Plan, with \$274k relating to Sheriff’s Ops, Jail, Jail Medical and Emergency Services outlays, \$70k of planned copier replacements spanning multiple departments, and other capital outlays; and
 - Transfers Out—increased \$3,063k, reflecting the addition of:
 - **Parks & Facilities Capital Projects Transfer--\$1,915k**--as covered during the recent 5 Year Capital Plan discussion, funding is to support the first half of the \$4.5 million EOC relocation project (of which \$588k of county grant funding has been awarded), the addition of a \$250k placeholder for department office

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- relocation/move costs, \$70k for a building security safety assessment study, and \$215k for unanticipated projects and the Camp David Jr repainting project;
- **Lower Dungeness Floodplain Project Transfer-- \$1,250k** increase (bringing total budgeted transfers for the project from General Fund to \$2.75 million in 2022) to provide bridge funding to the project based on recently revised cash need projections of this project as it enters its heavy construction phase in late 2021 which will continue through 2022. These transfers will be recovered by the General Fund by the spring of 2023 after heavy construction is completed and all grant reimbursement funds have been received;
- **IT Capital Projects Transfer--\$424k**--as covered during the recent 5 Year Capital Plan discussion, funding is to support several IT projects, including redesign of the County website, VEEM network back-up, AVAYA VOIP phone system upgrade, and implementation of Office365k, as well as funding for scheduled PC replacements, and other small IT capital outlays;
- **Clallam Bay Sekiu Sewer Fund Transfer--\$250k**—added to address short-term bridge funding needs during the sewer collection system rebuild project funded through DOE grant/loans (offset by a corresponding increase in transfers in from this fund as grant/loan reimbursement funds are received);
- **HHS Operations Transfer Out**—reduced by \$239k to reflect the shifting of funding source of 4 planned additional HHS FTEs from the General Fund to the HHS Foundational Public Health special revenue fund.

GENERAL FUND BUDGET OVERVIEW

At a high level, the 2022 Draft Budget projects a beginning General Fund Balance of approximately \$15.6 million, Revenues totaling \$46.612 million, Expenditures (including Transfers Out to the Lower Dungeness and Dungeness Off-Channel Reservoir Capital Projects, HHS, Flood Control, Capital Projects funds, and other funds) of \$51.658 million, resulting in a budgeted use Reserves of (\$5.046) million, and leaving an ending General Fund Balance of \$10.555 million, representing an ending reserve level of 20% of total operating expenditures. However, when adjusted for historic average payroll underspend to budget of approximately \$1.728 million, the projected operating deficit for 2022 is expected to total (\$3,318), leaving an ending General Fund reserves of \$12.283 million.

Below are the revenue and expenditure highlights behind these results:

REVENUE BUDGET HIGHLIGHTS

In this Draft roll up of the 2022 budget, General Fund Revenues (excluding COVID-related reimbursements) are projected to total \$46,512k, representing a \$4,241k or 10% increase over 2021 projected revenue expected, and a \$5,489k or 13.3% increase over the 2021 originally adopted budget. When you further exclude Transfers In revenue (which consist mainly of cash flow timing difference transfers from the Lower Dungeness Floodplain and Dungeness Off-Channel Reservoir projects), General Fund Revenues are projected to increase \$2,371k or 5.7% from 2021 projected revenues.

In projecting revenues for 2022, while there are certain revenue streams that were significantly impacted by the COVID public health emergency in 2021 that are expected to partially or fully recover fully in 2022 (the most notable being revenues generated by the assumed resumption of the County

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Fair in 2022), certain of our revenue streams tied to retail sales activity are assumed to return to a more moderate level of growth (5%) as compared to the 24%+ growth projected currently in 2021 when we experienced a significant economic rebound as the COVID pandemic's effect on the economy began to subside.

While we see this economic recovery continuing into 2022, we do not believe it will be at the levels witnessed in 2021. Other revenue streams, particularly interest income, licensing and permits, and fines & penalties, are expected to decline in 2022 due to the impact of COVID on the interest rate environment that is expected to continue through 2022, a slowdown in building permit revenues from the 30%+ growth levels seen in 2021, and recent changes in RCW that will impact the County's ability to assess certain penalties and fines.

TAX REVENUES

Tax revenues are projected to increase \$858k or 3.69%. Property taxes are projected to increase \$180k or 1.6% 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. Sales-driven taxes (local retail, juvenile correction sales and use taxes and local criminal/public safety taxes) are projected to increase a combined \$583k or 5%, which again reflects our assumption that sales taxes grow at a more moderate rate as compared to the +24% growth seen in 2021. Timber excise tax is also projected to increase \$91k or 32% from 2021 projections based on a true-up adjustment assessed the County by the Department of Revenue in 2021 due to an error discovered in prior years' timber excise tax remittances.

LICENSES & PERMITS

Licenses & Permits are currently projected to decrease \$51k or -4.6% from 2021 projections mainly due to an assumed decline in building permit revenues from the 30%+ growth since in 2021 that was being driven by high demand for permits prior to new building code requirements taking effect in mid-2021 as well as the robust building activity occurring in 2021.

INTERGOVERNMENTAL REVENUES

Budgeted to increase \$1,126k or 18.5%, Intergovernmental revenues' growth is entirely due to \$1,388k growth in Intergovernmental tax revenues from PILT ("payment in lieu of taxes" payments the County receives from Federal usage of County lands in lieu of property taxes the County would otherwise have collected), with the increase mainly due to additional PILT the County expects to receive from additional funding made available under the American Rescue Plan Act ("ARPA"), along with 3.3% growth assumed from non-ARPA funded PILT, PUD Privilege Tax, Criminal Justice, Marijuana and Liquor related excise taxes. These Intergovernmental tax revenue increases are partly offset by a projected decrease in Intergovernmental Grant revenues of (\$263k) mainly due to a \$299k one-time state appropriate grant received in 2021 in support of law enforcement costs, and decreased grant revenues budgeted for HHS Environmental Quality, Juvenile Services, and in other areas, as partly offset by new grant funding from the Administrative Office of the Courts in support of expanded guardianship services within the Superior Court and in support of the County's establishment of a mental health court within District Court 1.

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CHARGES FOR GOODS & SERVICES

Charges for Goods & Services are projected to increase \$775k or 10.3% in 2022 driven mainly due to recovery of certain COVID-impacted revenue streams, including the resumption of the County Fair (+\$205k), partial improvement in Sheriff Jail revenues derived from the provision of excess jail bed space to the State Department of Corrections which are expected to continue to be negatively impacted during 2021 and 2022 due to COVID jail capacity restrictions and DOC operational challenges (\$100k improvement over 2021 expected), and additional HHS Environmental Health services revenue to be funded through new state Foundational Public Health funds (\$162k). We also expect continued growth in title-related filing, DOL licensing revenues, and excise admin fees in 2022.

FINES & PENALTIES

Fines & Penalties are budgeted to decrease -\$150k or -15.2% over 2021, mainly due to a reduction in property tax penalties and certain indigent fines due to recent changes in RCW that restrict the County's ability to assess such fines in 2022.

MISCELLANEOUS REVENUE

Miscellaneous Revenue, consisting mainly of interest income and parks camping fees, is projected to decrease (\$396k) or -18.2%, driven mainly by a \$365k drop in budgeted interest income driven by the collapse of 2-year CD and the LGIP investment pool interest rates in 2020 and continuing into 2021 due to the aggressive economic stimulus measures taken by the Federal Reserve at the onset of the COVID emergency in 2021, coupled with the remainder of the County's 2-year CD investment portfolio maturing in 2021 and 2022 and being reinvested at substantially lower interest rates. Interest rates are assumed to not begin to meaningfully recover until 2023. Campground revenue is budgeted to moderate from the unprecedented growth seen in 2021 due to COVID's favorable impact on usage of County campgrounds in 2021, offset by an expected increase in campground fees. Partially offsetting are higher expected revenues earned from sales of unclaimed property, and approximately \$91k in higher revenue from the resumption of the County Fair in 2022.

OTHER FINANCING SOURCES (TIMBER SALES)

Other Financing Sources, consisting mainly of timber revenues to the General Fund, are budgeted to increase \$220k or 42% based on an August Draft DNR timber harvest sales projection received for 2022, with the year-over-year increase being driven by the rise in timber prices for timber sales auctions that occurred in 2021 that will be harvested in 2022-2023, as well as spill over 2021 budgeted timber revenues to 2022 due to DNR delays in harvesting certain areas in 2021 due to road building and weather-related delays.

TRANSFERS IN

Transfers In to the General Fund are projected to total \$2.44 million in 2022, an increase of \$1.87 million from 2021. Budgeted Transfers In consist of \$1.85 million from the Lower Dungeness Floodplain Restoration project, \$300k related to the Dungeness Off-Channel Reservoir project and \$250k from the Clallam Bay Sekiu Sewer Fund. This increase is largely due to spill over of \$1.5 million of 2021 transfers in from the Lower Dungeness Floodplain project relating to bridge funding provided by the General Fund primarily in late 2021 as the heavy construction phase of this project

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began, for which grant reimbursement of these costs will not be received until the spring of 2022. The increase is also due to the provision of \$250k in bridge funding for the Clallam Bay Sekiu Sewer fund collection system rebuild project which is assumed repaid to the General Fund as grant/loan funds for the project are received during the year. These increases are partly offset by the General Fund's provision of \$300k in bridge funding to HHS in support of the Serenity House bathroom remodel project required for Serenity House to open its expanded shelter space for which Serenity House is still seeking grant funding from which to reimburse the County, a reimbursement that given current uncertainty is not budgeted to be received in 2022. While unchanged from 2021, the Transfers In from the Dungeness Off Channel Reservoir fund of \$300k are again reflected in the 2022 budget, representing return of estimated bridge funding provided by the General Fund of the same amount.

INTERGOVERNMENTAL—COVID REIMBURSEMENTS

Consisting of our centrally administered COVID-related reimbursement grants including FEMA and CARES, this revenue category is budgeted to total \$100k in 2022, consisting of spill-over of 2021 anticipated reimbursements of FEMA COVID-related expenditures. This represents a decrease of \$910k from 2021 when the bulk of FEMA reimbursements for 2020 and 2021 are projected to be received, as well as \$529k related to the AOC CARES-funded JAVs courtroom technology project received in 2021.

EXPENDITURE BUDGET HIGHLIGHTS

Turning to expenditures for the General Fund, our Draft expenditure budget, excluding COVID-related costs) currently stands at \$51,658k, an increase of \$9,453k or 22.4% from our 2021 projected expenditures, and an increase of \$7,008k or 15.7% over the adopted 2021 budget. When you exclude Transfers Out expenditures (totaling \$6,288k which consist mainly of cash flow timing difference transfers to the Lower Dungeness Floodplain, Dungeness Off-Channel Reservoir and Clallam Bay/Sekiu sewer rebuild projects along with capital outlay related transfers to various capital projects funds), General Fund Expenditures are projected to increase \$5,164k or 12.8% from 2021.

SALARIES, WAGES & BENEFITS

Excluding Transfers Out, the largest driver of the increase over 2021 projected expenditures is in Payroll and Benefits costs. Representing approximately 67% of our total expenditure budget, Payroll and Benefits are up \$3,075k or 14.3% and \$1,314k or 15.1%, respectively, to the 2021 forecast. These increases are 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 2021 where due to retirements, voluntary terminations, delays in filling positions during the year, and the partial hiring freeze put in place beginning in March 2020 that continued through the first of quarter of 2021, the County had more open positions during 2021. This resulted in a projected budget underspend in payroll and benefits in 2021 of approximately \$1.896 million. Based on 3-year and 5-year historical average payroll/benefits budget underspend of \$1.88 million and \$1.67 million, respectively, we anticipate a similar level of personnel budget underspend, while not reflected in the current 2022 Draft budget due to policy, is nevertheless likely in 2022. If you adjust our 2022 personnel cost budget for this average \$1.7 million average budget underspend, our combined personnel costs in reality are expected to increase \$2.661 million or 8.8% in 2022 as compared to 2021.

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This 8.8% increase in overall payroll/benefits costs is largely being driven by the full year impact of collective bargaining-related COLAs of 1% implemented in July 2021 and 2.5% in January 2022, the addition of accreditation pay and implementation of a 9-step restructured pay scale affecting our law enforcement deputies, sergeants and correction officer collective bargaining units, a \$50-per-month increase in County-paid health premium increases for most collective bargaining units, and the addition of longevity-based medical premium pay beginning in January 2022 as provided for in the collective bargaining agreements renewed in July 2021. Position step increases, promotions, salary-study-based adjustments for certain positions, the approval of new positions in 2021 (including the Mental Health Court Coordinator, Treasurer Fiscal Specialist II, and other positions), and the filling of positions held open during 2021 (including the HHS Deputy Director position) also contributed to the increase. Finally, the payroll cost increase in 2022 also reflects new FTEs requested by the following departments in the 2022 Department Requests Over Base Budget, including Auditor (+1.63 FTEs), BOCC Non Departmental (+1 FTE), and Prosecuting Attorney Coroner (+1.5 FTEs), as well as the addition of \$122k of extra help funding to support administration of the new Mental Health Court and fund transition staffing costs for a planned position retirement in the Assessor's office. These increases were partially offset by an approximate \$500k annualized decrease in DRS pension benefit costs paid by the County as a result of substantial decreases in employer-paid contribution rates assessed to the County by DRS beginning in July 2021 for multiple pension plans based on stronger than expected pension plan performance.

Overall, we have budgeted 10.7 more FTEs in 2022 as compared to the 2021 budget, with additions in Auditor (+1.63 FTE), Treasurer (+1.0 FTE), BOCC Operations (+.7 FTE), BOCC—NonDepartmental (Finance) (+1.0 FTE), DCD Environmental Quality (+.25 FTE), DCD Permit Center (+1.0 FTE), DCD Long Range Planning (+.37 FTE), HHS Environmental Health (+0.6 FTE), HHS Admin (+1.4 FTE), Sheriff Operations (+1.54 FTE), Prosecuting Attorney-Coroner (+1.0 FTE), and District Court 1 (+1.0 FTE), as offset by reductions in DCD Admin (-.86 FTE).

SUPPLIES

Supplies are projected to increase \$460k or 43.5% compared to 2021 non-COVID projected supplies costs, and increase \$276k or 22.2% compared to the 2021 adopted budget. This increase is mainly due to the new Tyler Permit Plan system annual SAAS license entered into in 2021 (\$111k), IT SRF requests across multiple departments as outlined in the "2022 Department Requests Over Base Draft Budget-Draft" (\$122k), additional supply costs in support of new FTEs added to the budget, and due to the 2021 projected underspend to budget (\$185k).

SERVICES

Services in 2022 are projected to increase \$1,576k or 26.3% over 2021 projected non-COVID services, and increase \$1,033k or 15.8% compared to the 2021 original budget. These increases are mainly due to the following:

- Ending of the ER&R holiday for vehicle replacements implemented in 2021 as a precautionary cost savings measure (driving approx. \$244k of the increase mainly in Sheriff Ops and Parks/Facilities);
- Estimated Blake Decision LFO Refunds placeholder added (\$150k);
- Resumption of Assessor PACs software maintenance costs being funded by the General Fund rather than the Treasurer REET Technology fund (\$67k);

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- A \$57k increase in DCD—Environmental Quality Salmon Recovery services;
- Higher IT infrastructure-related network monitoring services costs (\$34k) resulting from the County’s IT infrastructure refresh project of 2020/2021;
- Additional Services costs included in the 2022 budgeted as outlined in the “2022 Department Requests Over Base Draft Budget”, including:
 - Assessor (\$83k—primarily for the Eagleview High Resolution Oblique Imagery service);
 - IT (\$220k—consisting of \$186k for MS Office365 and \$34k for additional costs of maintaining high speed voice/data communications needed to support remote working/Zoom);
 - HR (\$27k—for expanding NEOGOV usage for onboarding/orientation, higher subscription costs, and increased online job posting advertising);
 - Prosecuting Attorney (\$81k—mainly relating to higher coroner services costs, certifications, and restoration of in-person training budget);
 - Superior Court (\$51k relating to securing additional conflict attorney, guardian ad litem services needed);
 - District Court 1—additional funding for conflict attorney for criminal cases (\$12k);
 - Park & Facilities—increase in building repair and maintenance budget to reflect higher costs being experienced as facilities age (\$17k); and
 - WSU—addition of a full-time Animal Agriculture Agent WSU Contract position (\$55k), increase in contract salary of 4H Agent and WSU MOA increase (\$4k).
- These increases are partially offset by 2021 projected budget underspend in Services in multiple other areas, the most notable being lower Superior Court and Prosecuting Attorney expert witness, indigent defense and other services incurred in 2021 relating to the multi-homicide cases of late 2018/early 2019 that were slated to be tried in 2021, with all but one case pleading out resulting in substantial savings to the 2021 services budget.

TRANSFERS OUT

Transfers Out are budgeted to total \$6.288 million, a \$3,430k or 120% increase from 2021. These increases were mainly due to the following:

Parks & Facilities Capital Projects Transfer--\$1,558k increase over 2021. As covered during the recent 5 Year Capital Plan discussion, with the increase mainly driven by the additional funding needed to support the first half of the \$4.5 million EOC relocation project (of which \$588k of county grant funding has been awarded)—for more details see Capital Outlay section at the end of this presentation;

Lower Dungeness Floodplain Project Transfer-- \$1,250k increase to provide bridge funding to the project based on recently revised cash need projections of this project as it enters its heavy construction phase in late 2021 which will continue through 2022. These transfers will be recovered by the General Fund by the spring of 2023 after heavy construction is completed and all grant reimbursement funds have been received;

IT Capital Projects Transfer--\$348k increase reflecting funding to support several IT 2022 projects, including the redesign of the County website, VEEM network back-up, AVAYA VOIP phone

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system upgrade, and implementation of Office365k, as well as scheduled PC replacements, and other small IT capital outlays;

Clallam Bay Sekiu Sewer Fund Transfer--\$250k—added to address short-term bridge funding needs during the sewer collection system rebuild project funded through DOE grant/loans (offset by a corresponding increase in transfers in from this fund as grant/loan reimbursement funds are received);

Transfers Out from the General Fund included in the 2022 Draft budget include the following:

• Lower Dungeness Floodplain	\$2,750,000
• Parks/Facilities Capital Projects	1,915,465
• IT Capital Projects	424,424
• Dungeness Off-Channel Reservoir	300,000
• Clallam Bay Sekiu Sewer	250,000
• HHS Operations	530,000
• PW--Flood Control	46,351
• Local Crime Victim Comp	17,000
• Employee Healthcare	19,000
• Law Library	23,723
• PW--Solid Waste	6,500
• HHS Chemical Dependency/Mental Health	5,887

TOTAL TRANSFERS OUT—2022 **\$6,288,350**

NOTE REGARDING CASH FLOW TIMING IMPACT TO GENERAL FUND OF THE LOWER DUNGENESS FLOODPLAIN RESTORATION PROJECT

As noted earlier in this presentation and in prior years, the General Fund has needed to provide bridge funding for the Lower Dungeness Floodplain Restoration Project during different phases of this project in order to provide the project with sufficient liquidity for project costs to be paid timely until such time that grant reimbursements for this 100% grant-funded project are received, at which point the General Fund can be repaid from these grant reimbursements. Because of a number of factors including the duration and total cost of different phases of the project, the timing of when those phases start and end within each calendar year, and the timing of receipt of grant reimbursement (typically 45-60 days after costs are paid), there can be considerable impact and variation to how much and when funding is needed from the General Fund and when it can be returned to the General Fund.

On the next page at a high level is the amount of transfer funding paid by the General Fund for this project by year since the Lower Dungeness Floodplain project began, and how much in funding has been and is projected to be paid back to the General Fund by year. The projected outflows and inflows of funding from/to the General Fund are based on the latest monthly projections of project costs for Q3- 2021 though the end of 2022 provided by the DCD outside consulting firm managing this project. The construction phase for this project is currently projected to conclude at the end of 2022.

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As demonstrated below, the General Fund should be made whole for the funding provided for the Lower Dungeness Floodplain project in 2023:

<u>Year</u>	<u>Transfers Paid Out</u>	<u>Transfers Paid Back</u>	<u>Cash Flow Impact by Year</u>
2019	\$ 450,000	\$ -0-	(\$ 450,000)
2020	\$ 295,000	\$ 521,000	\$ 226,000
2021 Proj	\$ 1,500,000	\$ 230,000	(\$ 1,270,000)
2022 Proj	\$ 2,750,000	\$ 1,850,000	(\$ 900,000)
2023 Proj	\$ -0-	\$ 2,394,000	\$ 2,394,000
TOTAL	\$ 4,995,000	\$ 4,995,000	

ESTIMATED NET FUNDING IMPACT TO GENERAL FUND— \$-0-

CONCLUSION/TAKE-AWAYS

Based on this Draft revenue and expenditure budget, the budget reflects utilizing (\$5,046k) of General Fund reserves to fully fund the 2022 budget. 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 \$1.7 million, it is likely the Draft budget deficit for 2022 is closer to (\$3,318k), as compared to 2021's projected surplus of \$828k (excluding COVID-related revenues/expenditures).

As compared to the projected operating deficit for 2022 of (\$1,602k) previously presented as part of the Recommended Budget as adjusted to include capital outlays/transfers, this represents a \$1,716 increase in budget deficit. This increase in budgeted operating deficit is caused principally by (1) the \$1,250k increase in Lower Dungeness Floodplain Transfer Out funding previously discussed which again is expected to be fully reimbursed to the General Fund in 2023; and (2) Adjusting the amount of the EOC Relocation grant available to fund that project to properly reflect the County's share of that grant (\$588k impact).

Based on this projected use of reserves of (\$3,318k), the General Fund is projected to end 2022 with fund reserves of \$12,283k, representing 25% of total expenditures.

As outlined in an analysis at the end of the included schedule "Breakdown of Draft 2022 Budget Deficit vs 2021 Projected Surplus", when one adjusts for the \$900k negative cash flow impact of the Lower Dungeness Project net funding required in 2022 due to cash flow timing differences of that project that will ultimately resolve themselves in 2023 when all remaining grant reimbursements are received and the General Fund is made whole, and also adjust for the \$1,512k of net one-time cost of the EOC project for which additional state funding may be secured, the General Fund 2022 operating deficit would total approximately (\$906k).

2022 CAPITAL OUTLAYS

- Consistent with the 5 Year Capital Plan and 2022 Proposed Capital Budget that was presented to the BOCC at a continued work session scheduled for October 18, 2021 and was subsequently adjusted for feedback provided from that discussion, we are proposing a total \$15,802,730 of capital outlays for the 2022 budget, and deferring \$1,790,000 of requests

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identified in the 2022 capital plan. The Draft capital outlays are assumed funded through the following sources (source: "Proposed Capital Requests to Include in 2022 Budget" attachment):

- Parks & Facilities Capital Projects Fund--\$2,835,000 (consisting of the first half of the EOC construction phase plus estimated carryover of unspent design costs (\$2.3 million), of which \$0.588 million is funded through the County's assumed 50% share of a Dept of Commerce Grant approved as part of the 2021-23 biennium that must be accepted by 6/30/2023 to guarantee the funds are available; also included are \$115k for PFF Unanticipated Projects, \$70k to fund a Building Facility Security and Safety Study, a \$250k placeholder to fund various department office space renovation/move needs (i.e. Auditor, other to-be-determined departments) and \$100k for the painting of Camp David Jr); as discussed previously, the capital outlays from this fund will require a Transfer from the General Fund of \$1,915k.
- IT Capital Projects Fund--\$653,030 (mainly relating to fund the redesign and replacement of the County website--\$100k, upgrading the County's tape backup system to a VEEM-Network Data Back Up system which will reduce the County's disaster recovery time from 45-60 days to a few days--\$125k, upgrading the County's AVAYA VOIP phone system (\$185k), implementation costs of the County's transition to MS Office 365--\$30k, and funding for recurring replacement cycle for PCs/laptops and UPS battery backup); the capital outlays from this fund will require a Transfer from the General Fund of \$424k.
- REET 1--\$2,913,408 (consisting of \$2,478,000 of capital outlays, with major items including the completion of the Jail Control Board project budgeted originally in 2021 (using \$750k of carryover funding), continued replacement of the Courthouse VAV HVAC air system boxes (\$800k), a Fairgrounds Site and Security Lighting and Power Project (\$100k); rebuilding of the Courthouse HVAC SF-1 system (\$100k), replacement of the PLC door controls at the Juvie facility to address a safety issue (\$200k), and to replace and expand the Courthouse Access Control Card Readers, Recording and Camera systems to enhance facility monitoring, security and address safety concerns (\$300k). Also to be funded through REET are \$435k of transfers to the Carlsborg Deep Water Well (\$185k) and Carlsborg Sewer fund (\$250k) to fund completion of the Gupster Road sewer extension project approved in the 2021 budget);
- REET 2--\$2,331,319 (consisting of \$1,465k of capital outlays (including \$1,100k to Roads to fund 2022 road projects which includes an additional \$400k ask in 2022 to help fund the rebuild of Towne Road on the new Lower Dungeness Levy, installation of 3 electric car charging stations at the Courthouse (\$100k, of which \$68k is grant funded), and \$225k of carryover Courthouse irrigation/planter/sidewalk replacements), plus \$866k of transfers to the Clallam Bay Sekiu Sewer fund (\$718k) to fund a 5 year project to replace each of the systems five pump stations (\$470k), replace the drive bearings for the systems' remaining four biological contactors (\$80k), as well as subsidize this fund to fully cover its operating costs (\$168k));
- General Fund--\$330,800 (consisting primarily \$251k of Sheriff Operations/Jail/Emergency Services items (\$177k of which is for vehicle equipment and ER&R-related vehicle replacement funding needed for the scheduled replacement of 5 patrol vehicles, with the

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remainder used for ballistic vests replacements, patrol rifle upgrades, and various IT hardware and software related criminal investigations forensics, Cellebrite mobile forensics, ARES, and C-Trac), Auditor (\$27k), and Prosecuting Attorney (\$35k). As noted earlier, Transfers from General Fund will be needed for the Parks & Facilities Capital Projects fund (\$1,915k) and IT Capital Projects fund (\$424k) to fully fund the 2022 capital projects in these funds;

- Other Funds Capital Outlays
 - OPSCAN--\$175k
 - Operation Stonegarden--\$33k
 - Carlsborg Sewer--\$613k (including \$250k for the previously approved Gupster project (REET funded), and \$240k for the Savannah/Village Lane extension (proposed to use Opportunity Funds)
 - Clallam Bay Sekiu--\$2,150k (includes \$1.6 million DOE grant funded collection system rebuild project, \$470k to replace one of five pump stations (REET 2 transfer funded), and \$80k to replace all bearings on remaining four biological contactors (REET 2 transfer funded);
 - ER&R--\$550k, consisting of vehicle and equipment replacements for the General Fund of \$420k with the remainder for ERR general site maintenance and ER&R funded equipment replacement;
 - ARPA--\$250k for Bipolar Ionization Air Purification System for County facilities to reduce airborne illness risks (BOCC approved usage of ARPA funds); and
 - Dungeness Off Channel Reservoir--\$3.7 million of next phase of Dungeness Off Channel Reservoir Project (100% grant funded through grants rec'd to date).

In summarizing the total Draft capital spend by the key strategic initiative or summary categories we grouped our 2022-2026 capital plans according to, the 2022 Administrator Draft budget proposes the following spending by key initiative/grouping:

- **EOC Relocation**--\$2,300,000
- **Courthouse Space Assessment and Re-Alignment**--\$250,000
- **Courthouse/Juvenile Services Building Security**--\$370,000
- **Courthouse Facility Aging Infrastructure Initiatives**--\$840,000 (consisting of \$800k for VAV Air System Box replacements);
- **Disaster Recovery/Business Continuity**--\$137,000
- **IT Infrastructure Initiatives**, including:
 - **Applications**--\$149,000
- **Sewer System Repair/Replacement Initiatives**--\$2,150,000 (relating to Clallam Bay/Sekiu collection overflow project which will be 100% funded through Ecology grant/loan (\$1.6 million), pump station replacement (\$470k), and biological contactor bearing replacement (\$80k))
- **Deep Water Well/Water Mitigation**--\$3,950,000 (\$250k Carlsborg Water Mitigation, \$3.7 million Dungeness Off Channel Reservoir (100% grant funded)
- **Other Non-Recurring Capital Outlay**—\$618,000 (fairgrounds security lighting project (\$100k), courthouse HVAC re-build (\$100k), Juvie replacement of PLC Door Controls (\$200k), Electric Car Charging Stations (\$100k, 68% grant funded)
- **Mandatory/Recurring/Regular Replacement**--\$1,039,830
- **Previously Approved Carry Over Capital Outlays**—\$1,591,000

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