

**CLALLAM COUNTY
GENERAL FUND DRAFT 2022 BUDGET
BREAKDOWN OF PROPOSED FINAL 2022 BUDGET DEFICIT VS 2021 PROJECTED SURPLUS
\$ IN 000s**

		NOTES
TOTAL PROPOSED FINAL GENERAL FUND OPERATING SURPLUS/(DEFICIT)--2022 BUDGET	(4,892)	
TOTAL FORECASTED GENERAL FUND OPERATING SURPLUS/(DEFICIT)--2021 PROJECTED	502	
NET CHANGE IN GENERAL FUND OPERATING SURPLUS/(DEFICIT)--2022 BUDGET VS 2021 PROJECTED	(5,394)	

MAJOR COMPONENTS OF CHANGE IN OPERATING SURPLUS/(DEFICIT) FROM 2021 TO 2022:

INCREASE IN TAX REVENUE (SALES & USE, JUVENILE SERVICES, ETC)	875	Assumes Sales tax annual increase of +5% due to an assumed return to a more typical year-over-year growth rate after 2021 which saw high levels of stimulus and economic recovery driving sales tax growth of +24%. Property Taxes projected to grow 1.6% based on 1% levy growth allowed plus new construction, and increase in Timber Excise Tax of \$91k due to impact of DOR multi-year correction assessed in 2021.
DECREASE IN LICENSING & PERMITS REVENUE	-39	Mainly due to extraordinarily strong building permit revenue performance to budget in 2021 driven by building code changes taking effect in mid 2021 and robust building activity.
INCREASE IN INTERGOVERNMENTAL REVENUE	1,050	Mainly due to \$1,488k increase in ARPA-related PILT revenue the County expects to receive (\$1,386k), as partially offset by \$438k decrease in grants, driven by a one-time \$299k state appropriation rec'd in 2021 for law enforcement related costs, and decreased grant revenues budgeted for HHS Environmental Quality, Juvenile Services, and other areas, as offset by a 3.3% increase in PILT, Criminal Justice and other intergovernmental excise taxes, new AOC grants rec'd in Superior Court (Uniform Guardian \$128k) and District Court 1 (Mental Health Court \$116k), and and \$150k in AOC Blake Reimbursement grant revenue.
INCREASE IN GOODS & SERVICES REVENUE	806	Mainly due to full or partial recovery of certain COVID impacted revenue streams, including the resumption of the County Fair (\$205k), Sheriff Jail (DOC \$100k), additional HHS Environmental Health services revenue which will be funded through new State Foundational Public Health grant funds transferred from the HHS Foundational Public Health special revenue fund (\$162k), and continued growth in DOL licensing, filing fees and excise admin fees.
DECREASE IN FINES & PENALTIES	-132	Decrease due to lower penalties relating to property taxes and indigent fines assessed due to recent RCW changes.
DECREASE IN MISC REVENUE	-289	Decrease mainly due to a \$365k drop in interest income due to significant drop in interest rates during the COVID pandemic and assumption that such depressed rates will continue through 2022 and a decrease in DCD Long Range Planning's Puget Sound Partnership revenue, as offset by growth of campground revenue and resumption of county fair revenue following 2021's COVID-related closures,
INCREASE IN TIMBER REVENUE	220	Increase based on current DNR forecast, with increase reflecting rise in timber prices for timber sales auctions in 2021 that will be harvested in 2022-2023, and delays in harvesting certain areas in 2021 due to road building and weather-related delays.
INCREASE IN TRANSFERS IN	1,870	Primarily due to a \$1.62 million increase in Transfers In from the DCD Lower Dungeness Floodplain Capital Fund due to the timing of heavy construction commencing on this project in late 2021, resulting in DOE grant reimbursements relating to the 2021 heavy construction costs incurred by the project not being received until the spring of 2022. Also driving this increase is \$250k of Transfers In from the Clallam Bay Sekiu Sewer fund for reimbursement of bridge funding provided during the collection system rebuild project as DOE grant/loan reimbursements are received.
INCREASE IN PAYROLL	-3,141	Increase due to base budget assuming all positions staffed per current policy (vs savings from position darktime and hiring freeze during most of 2020)--see below for estimated dark-time projected underspend. When adjusted to reflect \$1.1-\$1.2 million of historic darktime budget underspend, payroll is projected to increase approximately \$1.9 million, or 9%, from 2021 to 2022 which reflects increases due to 1% COLAs in July 2021, 2.5% COLAs beginning in Jan 2022 for the various bargaining units, the addition of accreditation pay and pay scale restructuring for patrol/corrections following completion of new collective bargaining agreements, promotions/salary adjustments, and step increases, as partially offset by savings due to turnover that occurred in 2021. Increase also reflects additional FTEs approved in 2021 including the DC1 Mental Health Court Coordinator and related extra help, Treasurer Fiscal Specialist II, and others, as well as new FTEs requested by the following departments in the 2022 Department Requests Over Base Budget: Auditor (1.63 FTEs), BOCC Non Departmental (1 FTE), and Prosecuting Attorney Coroner (2.5 FTEs).
INCREASE IN BENEFITS	-1,317	Increase due to base budget assuming all positions staffed--see below; also due to \$50 per month County-paid health premium increases and longevity-based medical premium pay beginning in Jan 2022 under new collective bargaining agreements completed in July 2021, as partially offset by a substantial decrease in DRS Pension contributions required to be paid by the County in 2022 due to better than expected DRS pension plan performance. Also due to additional FTEs approved in 2021 including the DC1 Mental Health Court Coordinator, Treasurer Fiscal Specialist II, and others, as well as new FTEs requested by the following departments in the 2022 Department Requests Over Base Budget: Auditor (1.63 FTEs), BOCC Non Departmental (1 FTE), and Prosecuting Attorney Coroner (2.5 FTEs).
INCREASE IN TRANSFERS OUT	-3,072	Due to \$1.25 million increase in Transfers Out needed to fund the heavy construction phase of the Lower Dungeness Floodplain Project which began in Q4 2021 and will continue through the end 2022 with the increase over 2021 based on revised construction cost and grant reimbursement cash flow projections prepared for 2022/2023 based on projections provided by project's outside consultant by month, with budgeted Transfers Out for Lower Dungeness totaling \$2.75 million in 2022 (these funds will be fully reimbursed to the General Fund in 2023 as the project concludes and all remaining grant reimbursements are received). Also due to a \$1.558 million increase in General Fund Transfers to the Parks and Facilities Capital Projects fund (driven primarily by the assumed commencement of the EOC relocation project in 2022), and a \$273k increase in Transfers to the IT Capital Projects fund (to fund the County website development project, upgrading of the disaster recovery data backup systems, the deployment of Office365, and the AVAYA VOIP phone system upgrade project). Also driving the increase is a \$250k transfer to the Clallam Bay Sekiu Sewer Fund for bridge funding needed during the collection system rebuild project to enable timely payment of contractors until DOE grant/loan reimbursements are received by the fund (this transfer out is assumed fully reimbursed to the General Fund in 2022 as grant funds are received). Partially offsetting these increases are the \$282k in transfers made by the General Fund to the Flood Control and Clallam Bay Sekiu Sewer funds in 2021 to fund the reimbursement of the Roads fund for employee paid-time-off costs mistakenly paid for by the Roads fund.

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INCREASE IN SERVICES	-1,615	Increase driven by ending of the ER&R holiday for vehicle replacements instituted in 2021 (\$200k in Sheriff's and \$44k in Parks Facilities), the resumption of Assessor PACs software costs being paid by the General Fund in 2022 (\$67k), the addition of a \$150k placeholder relating to Blake Decision LFO refunds, additional AOC-grant funded Minor Guardianship services costs in Superior Court and Mental Health Court costs in District Court 1, a \$57k increase in DCD--Environmental Quality Salmon Recovery services, and higher IT infrastructure-related network monitoring services costs (\$34k), as well as projected underspend to budget within Services in 2021. Increase also reflects approx. \$553k of recommended 2022 Department Requests, including <u>Assessor</u> (+\$83k --primarily for Eagleview High Resolution Oblique Imagery); <u>IT</u> (\$220k, consisting of \$186k for MS Office365 and \$34k for high speed voice/data communications and professional services); <u>HR</u> (\$27k); <u>Prosecuting Attorney</u> (\$84k--mainly relating to higher coroner services, certification and training costs); <u>Superior Court</u> (\$51k relating to conflict attorney, guardian at litem services costs), WSU (\$55k for Animal Agriculture Agent contract position), and other increases.
INCREASE IN CAPITAL OUTLAYS	-231	Increase is primarily due to reduced capital outlays within the General Fund in 2021 due to a pause instituted for fleet vehicle replacements due to COVID economic uncertainty. The 2022 budget reflects resumption of scheduled vehicle replacements, including vehicle and equipment costs for 5 patrol vehicle replacements in Sheriff's Department (\$177k), and 1 vehicle in DCD Permit Center (\$18k), as well as various other law enforcement equipment and technology hardware/software expenditures in the Sheriff's Ops, Jail and Emergency Services departments (totaling \$101k), as well as scheduled copier replacements across multiple departments.
INCREASE IN PAYMENT TO RISK MANAGEMENT/WORKERS COMP FUNDS	-129	Due to insurance premium increases for 2022 renewal of general liability, cyber, and property coverage policies through the WA State Risk Pool.
REMAINING PROJECTED OPERATING DEFICIT--EXCLUDING CAPITAL TRANSFERS/PROPOSED DEPT REQUESTS	-251	Mainly due to increase in Supplies (\$465k), due to new Tyler Permit Planning system SAAS license (\$111k), \$122k of IT-recommended SRF requests outlined in the "2022 Department Requests Over Base Recommended Budget", and also due to projected underspend in 2021. Partly offset by \$221k net increase in COVID-relating operating surplus projected in 2021, due to 2022's budget only reflecting carry over of \$300k of 2021-related FEMA grant reimbursements being received. Given the high level uncertainty as to the duration of the COVID pandemic and whether the FEMA grant will be extended into 2022, it is assumed for budget purposes that the County's COVID related costs will be covered outside of the General Fund, through either the ARPA special revenue fund or other dedicated COVID grant funds budgeted within HHS.
TOTAL CHANGE IN GENERAL FUND OPERATING DEFICIT--PRELIMINARY 2022 BUDGET VS 2021 PROJECTED	-5,394	
PROJECTED GENERAL FUND OPERATING DEFICIT--ADJUSTED FOR AVG COMP UNDERSPEND		
TOTAL PROPOSED GENERAL FUND OPERATING SURPLUS/(DEFICIT)--2022 BUDGET	-4,892	
LESS: HISTORICAL AVERAGE BUDGET UNDERSPEND--SALARY AND BENEFITS	1,732	Historically, the general fund has underspent its salary/benefits budgets on average by \$1.88 million over the last 3 years, and by \$1.67 million over the last 5 years. Many factors contribute to this, with the most significant being that per County policy, each department has to be budgeted assuming it is fully staffed the entire year. In reality, for many departments, this has rarely been the case. Open positions (or "dark time") that occur due to retirements, voluntary terminations/turnover and delays in filling positions create cost savings to budget, as does refilling positions open due to retirement at often lower salary rates than budgeted. While current policy does not allow for budgeting for "dark time" and there is no assurance similar savings will occur at the same level of employment trends/economic conditions change, it is nonetheless an important component in understanding how our actual spending in this area compares to our budget.
PROJECTED GENERAL FUND OPERATING DEFICIT--ADJUSTED FOR AVG COMP UNDERSPEND	(3,160)	
PROJECTED 2022 GENERAL FUND BALANCE--BASED ON DRAFT BUDGET AS ADJUSTED		
PROJECTED FUND BALANCE--BEGINNING	15,026	
PROJECTED 2021 GENERAL FUND OPERATING DEFICIT	(3,160)	
PROJECTED FUND BALANCE--ENDING	11,866	

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GENERAL FUND OPERATING DEFICIT, ADJUSTED TO EXCLUDE TIMING/ONE-TIME IMPACT OF LARGE CAPITAL PROJECTS		
<small>Note: The purpose of this calculation is to calculate the projected General Fund operating deficit for 2022 if one excludes extraordinary projects that are temporarily negatively impacting the General Fund's cash flow either due to bridge funding that the General Fund is providing to large grant-funded projects that will ultimately be returned to the General Fund at the end of the project once all grant reimbursements are received and/or there is a pause in the project to allow for such grant reimbursements to "catch up" to the expenditures made to date (including the Lower Dungeness Floodplain Project, the Dungeness Off Channel Reservoir, or the Clallam Bay Sekiu Sewer Collection System), or for those large, one-time projects that are temporarily skewing the General Fund's net operating results (such the partially grant-funded EOC relocation project).</small>		
PROJECTED GENERAL FUND OPERATING DEFICIT--ADJUSTED FOR AVG COMP UNDERSPEND		(3,160)
LOWER DUNGENESS FLOOD PLAIN PROJECT:		
TRANSFERS IN--LOWER DUNGENESS FLOOD PLAIN PROJECT	1,850	
TRANSFERS OUT--LOWER DUNGENESS FLOOD PLAIN PROJECT	(2,750)	
NET CASH FLOW EFFECT--TIMING OF GENERAL FUND BRIDGE FUNDING REIMBURSEMENT-- LOWER DUNGENESS PROJECT		900
DUNGENESS OFF-CHANNEL PROJECT:		
TRANSFERS IN--DUNGENESS OFF-CHANNEL RESERVOIR PROJECT	300	
TRANSFERS OUT--DUNGENESS OFF-CHANNEL RESERVOIR PROJECT	(300)	
NET CASH FLOW EFFECT--TIMING OF GENERAL FUND BRIDGE FUNDING REIMBURSEMENT-- DUNGENESS OFF-CHANNEL		-
CLALLAM BAY/SEKIU SEWER--DOE COLLECTION SYSTEM REBUILD PROJECT:		
TRANSFERS IN--CLALLAM BAY/SEKIU SEWER	250	
TRANSFERS OUT--CLALLAM BAY/SEKIU SEWER	(250)	
NET CASH FLOW EFFECT--TIMING OF GENERAL FUND BRIDGE FUNDING REIMBURSEMENT-- CLALLAM BAY/SEKIU SEWER		-
EOC PROJECT:		
GRANT FUNDING BUDGETED	588	
EOC RELOCATION COSTS BUDGETED--2022 (EXCLUDING ROLL OVER OF UNSPENT FUNDS)	(2,100)	
NET CASH FLOW EFFECT-- NEW EOC		1,512
PROJECTED GENERAL FUND OPERATING DEFICIT--ADJUSTED TO EXCLUDE LARGE ONE-TIME PROJECTS		(748)