



AGENDA ITEM SUMMARY

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

Department: Finance

WORK SESSION ☒ **Meeting Date:** **11/14/2022**

REGULAR AGENDA ☐ **Meeting Date:**

Required originals approved and attached? ☒
Will be provided on:

Item summary:

- | | | |
|---|--|---|
| ☐ Call for Hearing | ☐ Contract/Agreement/MOU - Contract # | |
| ☐ Resolution | ☐ Proclamation | ☒ Budget Item |
| ☐ Draft 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 2023 Draft Budget for Clallam County. The submission of this Draft budget is the first step in the budget adoption process, with the following key dates to follow:

- Monday, November 14th—CFO and the Administrator to submit the Draft Budget to the BOCC;
- Tuesday, November 29th—Clallam County Property Tax Levy Certification
- Monday, December 5th—Special Taxing Districts Property Tax Levy Certification;
- Tuesday, December 6th--Public Hearings at 10:30am and 5pm in the Board Room to adopt final budget by resolution.
- Tuesday, December 13th—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:

- 2023 Draft Budget Summary—All Funds;
- General Fund 4 Year Comparison of 2023 Draft Budget to Projected/Actual Results for 2022-2020;
- General Fund 4 Year Comparison of 2023 Draft Budget to Adopted Budgets for 2022-2020;
- General Fund Bridge Analysis of Changes Between 2023 Recommended Budget and Draft Budget;

* Work Session Meeting - Submit 1 single sided/not stapled copy

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

- General Fund Breakdown Analysis of the Change in Operating Surplus/Deficit between the 2023 Draft Budget and 2022 Forecasted;
- 2023 Draft Budget General Fund Revenue, Expenditure and Staffing Charts by Type and by Program;
- 2023 Budget Salary Worksheet Breakdown by Department/Fund;
- 2023 Department Requests Over Base Budget;
- 2023 Proposed Capital Outlay Budget by Fund;
- 2023 Budgeted Transfers for All Funds

As noted in prior budget discussions, all departments have budgeted that all budgeted positions are assumed filled for the entire year in accordance with how policy currently requires us to budget, which, as has previously been discussed, not historically mirrored the County's actual payroll spending trends where the County has underspent its personnel budgets in the General Fund between \$1.9 million and \$2.1 million each year due to open positions, turnover and retirements (further discussion below).

This budget reflects estimates for 2023 revenue which are partly dependent on the current revenue forecast assumptions for 2022, as well as many additional variables including:

- 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 as the Federal Reserve continues its interest rate increase strategy to reduce inflation, and
- Other revenue guidance available thru MRSC and other sources, etc.

Taxes, Intergovernmental taxes (including PILT, Timber excise tax, Leasehold Excise tax, PUD Privilege Tax, etc), Real Estate Excise taxes (REET), and Timber revenues reflected in the 2023 Draft budget are based on projections developed based on the evaluation of such variables and available guidance. Departmental assumptions for other revenue streams reflected in this Draft budget were discussed and evaluated for reasonableness during the Administrator and CFO discussions with each department in September, and reflect some changes based on those discussions that will be covered below.

Sales tax estimates used in the 2023 Draft budget remain relatively unchanged from the Recommended Budget, however as a result of higher than expected October monthly sales tax growth of 14% which increased our 2022 projected forecast for sales taxes, the assumed growth for the 2023 budget now reflects an approximate 2% growth rate (rather than 3% previously). We believe a 2% growth rate is still in line with projected 2023 retail sales and state GDP growth projected for the state by the Washington State Economic and Revenue Forecast Council's economic forecast report which generally predicts low-single digit growth in 2023. 2022 sales taxes are now projected to grow 7.2% for the year. Given that economic conditions are still evolving and the

* Work Session Meeting - Submit 1 single sided/not stapled copy

Agenda Item Summary Draft Budget 2023 11142022.docx

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

Revised: 3-04-2019

growing concern for a potential recession in 2023, the sales tax revenue budget for 2023 will continue to be revisited during the 2023 budget process to reflect any changes in expectations for next year.

OVERVIEW OF CHANGES MADE BETWEEN PRELIMINARY BUDGET AND DRAFT BUDGET

Several changes have been made to the 2023 Recommended Budget in arriving at the 2023 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 \$210k**, mostly due to:
 - TAXES increasing \$97k due to the true up of property taxes to reflect updated levy calculations and new construction values provided by the Assessor's Office;
 - CHARGES FOR GOODS & SERVICES increasing \$36k due to higher Auditor's Office passport revenues projected;
 - MISCELLANEOUS REVENUE increasing \$419k mainly due to revision of the estimate for investment interest income provided by the Treasurer's office; (note: this calculation will be revisited once more pending an investment analysis currently underway by a 3rd party which could increase our interest projections a further \$350k at minimum); as partially offset by:
 - TRANSFERS IN decreasing (\$250k) mainly due to the assumption that the \$250k in working capital provided to the Clallam Bay Sekiu Sewer in 2022 will not be returned to the General Fund during completion of the sewer restoration project funded by DOE grants/loans that is underway;
 - INTERGOVERNMENTAL REVENUES decreasing (\$15k) due to revised state grant funding provided to the Clerk's Office for Child Support; and
 - NON-REVENUES decreasing (\$77k) due to the removal of sales/use and lodging tax monies collected by Parks & Facilities no longer being budgeted for in the General Fund.
- **EXPENDITURE CHANGES—increased \$2,917k**, primarily driven by:
 - TRANSFERS OUT increased \$1,544k mainly due to the incorporation of the transfers necessary for the 2023 capital outlay budget presented as part of the 2023 Recommended Budget and 5 Year Capital plan discussions, including \$1,195k in transfer to the Parks & Facilities Capital Projects Fund and \$552k to the IT Capital Projects Fund (see the Capital section of this summary for a breakdown of the capital outlays assumed). An additional transfer out of \$170k to the Sheriff Boating Safety was added to the budget relating to working capital needed for the mostly-grant funded cost of a new Sheriff replacement boat (NOTE--a \$125k budgeted transfer to the VRF Boating fund for the same vessel replacement was previously added to the 2023 budget but was mistakenly not removed in the Draft budget--this will be corrected in the Proposed Final budget). The Transfer Out to the Veteran's Relief fund

* Work Session Meeting - Submit 1 single sided/not stapled copy

Agenda Item Summary Draft Budget 2023 11142022.docx

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

Revised: 3-04-2019

was increased \$10k to match funding needs following planned adjustment to property tax funding budgeted for this fund. These increases were partly offset by a \$275k decrease in transfer funding provided to the HHS Operations (from \$400k previously budgeted) to reflect other funding sources now available to HHS; and a \$110k decrease in General Fund support to the Clallam Bay Sekiu Sewer fund due to the working capital provided to this fund in 2022 for the DOE grant/loan-funded sewer restoration project that will not be returned during the project;

- PAYROLL increased \$35k due to the net effect of eliminating one of the two Patrol Deputy new positions requested by the Sheriff's department, deferring the addition of the requested new Deputy Prosecuting Attorney Civil position, and elimination of the 1% COVID hazard pay in Sheriff Jail (this adjustment was already made to Sheriff Operations in the prior draft of the budget), as offset by the addition of a placeholder for a County Administrator transition plan, the addition of a DCD Deputy Director position, the addition of one part-time voter registration specialist in the Auditor's office, and the addition of extra help funding to support staff cross-training in preparation for expected retirements in the Treasurer's office.
- BENEFITS increased \$526k due to the planned increase in worker's compensation L&I rates being implemented to reflect higher claims and L&I costs in recent years that necessitates these rates be raised (were last raised in 2018), totaling \$309k of the increase. The remainder of the increase is due to the notified health insurance premium increases for 2023.
- CAPITAL OUTLAYS increased \$769k due to the incorporation of the 2023 capital outlays as presented in the Recommended Budget and 5 Year Capital plan discussion—see the Capital section of this presentation for further details.
- SERVICES increased \$194k mainly due to an additional \$110k in the BOCC NonDepartmental budget for outside security costs monitoring assumed relating to staffing for two facility security personnel (bringing the total cost up to \$220k). Also reflects that addition of \$45k in professional services to fund the staffing of a part time court facilitator position in Superior Court, and \$62k in additional ER&R vehicle rental costs budgeted in the Sheriff's department based on new ER&R rates enacted. These increases were offset by decreases in other areas; as partly offset by
- PAYMENT TO RISK MANAGEMENT/WORKER'S COM FUNDS decreased \$132k which reflects the correction made to the risk management insurance pool costs allocated to the General Fund which were previously overstated due to the double-budgeting of property insurance premium costs.

GENERAL FUND BUDGET OVERVIEW

At a high level, the 2023 Draft Budget projects a beginning General Fund Balance of approximately \$11.831 million (vs \$11.157 million in the Recommended Budget, a \$674k increase which is reflective of higher projected sales tax revenue and miscellaneous revenue projected, and lower Services costs projected for 2022). Revenues are projected to total \$53.126 million, Expenditures (including Transfers Out to the Lower Dungeness and Dungeness Off-Channel Reservoir Capital Projects, HHS,

* Work Session Meeting - Submit 1 single sided/not stapled copy

Agenda Item Summary Draft Budget 2023 11142022.docx

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

Revised: 3-04-2019

Veteran's Relief, Sheriff's VRF Boating Program, Clallam Bay Sekiu Sewer, Flood Control and other funds) are projected at \$55.090 million, resulting in a budgeted decrease in Reserves of (\$1,965k), and leaving an ending General Fund Balance of \$9.866 million, representing an ending reserve level of 18% of total operating expenditures. However, as discussed later, when one adjusts for the historical underspend to our personnel and benefits budgets of \$1.9 million-\$2.1 million, and also assumes all new positions budgeted to be added in 2023 are held open for the first half of 2023 as a precautionary step discussed with the BOCC, it is likely the Draft budget will generate a surplus of revenue over expenditures for 2023 of \$299k, as compared to 2022's projected deficit of (\$3,698k), which would leave an ending fund balance of \$12,130k for 2023, or a reserve of 23% of expenditures.

Below are the revenue and expenditure highlights behind these results:

REVENUE BUDGET HIGHLIGHTS

In this Draft roll up of the 2023 budget, General Fund Revenues (excluding COVID-related reimbursements) are projected to total \$53,026k, representing a \$8,536k or 19.2% increase over 2022 projected revenue expected. When you further exclude Transfers In revenue (which consist mainly of working capital-related transfers from the Lower Dungeness and Dungeness Off-Channel Reservoir projects), General Fund Revenues are projected to increase \$2,448k or 5.6% from 2022 projected revenues.

In projecting revenues for 2023, certain revenue streams impacted by the economic and operational disruptions created by the COVID pandemic are projected to somewhat rebound from 2022, including:

- Miscellaneous Revenue is projected to grow by \$1.223 million due primarily to significant growth in investment interest income as the County is able to reinvest its investment portfolio in much higher yielding US Treasuries and other fixed income securities that are yielding in excess of 4-5% next year (as compared to sub 0.5% yields earned during much of 2022) due to the aggressive interest rate actions taken by the Federal Reserve to raise rates in an effort to curb inflationary pressures in the US economy, and also due to planned camping fee increases at the County's parks;
- Fines & Penalties are also expected to rebound somewhat (\$78k) from 2022 levels as courts continue to return to normal operations post-pandemic and as case back logs clear, but still down over 22% from their peak in 2019 due to the impact that court rulings and recent RCW changes affecting the County's ability to assess and collect certain types of fines and penalties; and
- Goods & Services are projected to increase by 8.5% due to contractual CPI-tied increases in certain of interlocal criminal justice agreements, improvement expected in the Jail bed revenues earned under the County's agreement with the State Department of Corrections (albeit still \$150k lower than pre-pandemic levels) as lower State prisoner populations during the COVID pandemic begin to subside and staffing issues at the Jail abate (which should enable more normal levels of chain gang Roads-support work), and increases in HHS Administration and Environmental Health services provided under Foundational Public Health funding provided by Washington State.

* Work Session Meeting - Submit 1 single sided/not stapled copy

Agenda Item Summary Draft Budget 2023 11142022.docx

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

Revised: 3-04-2019

Growth of certain of our revenue streams tied to retail sales activity are assumed to continue the trend seen for most of 2022 where a moderation to low single digit growth (2.5-3%) took place after the 1st quarter of 2022, leading to a more modest 7.2% growth being projected for full year 2022 sales taxes as compared to the 21%+ growth seen in 2021. For 2023, sales taxes are budgeted to grow at 2% based on this trend continuing. While we are not currently projecting a significant prolonged recession in 2023 in a traditional sense as employment levels remain strong, we do believe inflationary pressures will carry over to 2023 albeit at lower levels from those witnessed in 2022 which, along with higher consumer borrowing costs, will hold discretionary taxable sales activity to low single digit growth next year. Other revenue streams tied to real estate, particularly REET 1 and REET 2 and certain of our Auditor filing fees, are expected to decrease by approximately 30% from historically high levels seen in 2022 due to the rapid slowing of the real estate market taking place due to the rapid rise in mortgage rates.

TAX REVENUES

Representing almost 50% of General Fund total revenues, Tax revenues are projected to increase \$604k or 2.48% in 2023. Property taxes are projected to increase \$245k or 2.83% as we assumed the County takes its allowed for 1% annual levy growth limit, as adjusted for new construction assumed captured totaling \$169.6 million, 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 \$245k or 2%, which again reflects our assumption that sales taxes will grow at a more moderate rate as compared to the +7% growth seen in 2022. Timber excise tax is also projected to increase 5% from 2022 projections based on trend.

LICENSES & PERMITS

Licenses & Permits are currently projected to decrease -\$32k or -3.1% from 2022 projections mainly due to an assumed decline in building permit revenues following multiple years of strong permit activity and as interest rate hikes by the Federal Reserve continue to cool housing starts.

INTERGOVERNMENTAL REVENUES

Overall, Intergovernmental Revenues--consisting of federal and state grants and intergovernmental tax and excise payments received by the County--is budgeted to remain essentially flat in 2023. Intergovernmental Tax Revenues are projected to grow \$133k or 3% due to 3-6% increases projected certain intergovernmental tax revenues including PILT, Criminal Justice, and PUD Privilege taxes. Based on recently announced awards relating to ARPA Section 605 Local Assistance and Tribal Consistency funds to be distributed by the US Treasury, the County learned it would be receiving \$1.255 million of these funds both in 2022 and in 2023. As these funds may be spent in a manner consistent with other general revenues received by the County (with the exception of supporting lobbying activities), these funds are budgeted as part of the General Fund in 2023.

Intergovernmental grant revenues are projected to decrease \$149k or (4.9%), due to lower grants in DCD Long Range Planning, HHS Environmental Health, HHS Admin, Sheriff Ops & Emergency Services, Superior Court, and other areas, as partly offset by higher grant revenues budgeted for DCD Environmental Quality (+\$428k relating mainly to fish barrier-related grant increases), Juvenile Services, PA-Child Support, and increases in other areas.

* Work Session Meeting - Submit 1 single sided/not stapled copy

Agenda Item Summary Draft Budget 2023 11142022.docx

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

Revised: 3-04-2019

CHARGES FOR GOODS & SERVICES

Charges for Goods & Services are projected to increase \$657k or 8.5% in 2023 driven partly by partial recovery of certain COVID-impacted revenue streams, most notably the Sheriff Jail revenues derived from the provision of excess jail bed space to the State Department of Corrections which were negatively impacted during 2022 due to reduced COVID-related jail capacity restrictions that resulted in reduced DOC jail occupancy and need for County jail beds (a \$150k improvement is assumed in 2023, but revenue remains \$150k-\$250k below pre-COVID levels) Also negatively impacted in 2022 was the Sheriff Jail chain gang program in support of Roads due to reduced staffing levels in the Jail which are expected to abate in 2023. The remainder of the increase is largely due to increases in interfund services provided to the HHS Foundational Public Health fund and other non-General Fund HHS funds by HHS Environmental Health (\$78k) and HHS Administration (\$130k), increased County Fair gate and carnival proceeds (\$46k), \$95k in higher Auditor election services revenues and passport revenues, as offset by an \$85k decrease in filing fees in the Auditor's Office due to lower real estate filing volume trends.

FINES & PENALTIES

Fines & Penalties are budgeted to increase \$78k or 11.3% over 2022, reflecting an expectation by both district courts of a stabilizing and slight improvement in infraction revenue from 2022 levels as courts continue to return to normal operations post-pandemic and as case backlogs continue to clear. However, Fines & Penalties are budgeted at level that is still 22% below their peak in 2021 driven by court decisions and RCW changes affecting the County's ability to assess and collect fines and penalties across multiple functions.

MISCELLANEOUS REVENUE

Miscellaneous Revenue, consisting mainly of interest income and parks camping fees, is projected to increase \$1,223k or +59%, driven mainly by a \$1,012k increase in budgeted interest income driven by the sharp increase in interest rates available for US Treasury bills and notes that should allow the County to reinvest its investment portfolio in higher yielding fixed income US Treasury investments following the collapse of the 2-year CD and LGIP investment pool interest rates beginning in 2020 and continuing through much of 2022. These yield gains are largely due to the aggressive interest rate increase measures taken by the Federal Reserve beginning in early 2022 to combat the 8-9% inflation experienced in the US economy. While not yet reflected, the County recently engaged an outside investment liquidity analysis consultant to advise on the strategic level of liquidity available to be invested in higher yielding, longer-term investments, which should enable the County to increase its investment interest further than currently budgeted.

Partially offsetting this continued increase in investment interest income are lower interest earned on delinquent taxes (-\$75k or -18%) due to RCW changes made in 2021 impacting the amount of interest counties may collect, and lower expected revenues earned from sales of unclaimed property (-\$72k).

Parks and fair revenues are expected to grow above 2022 projected levels, reflecting fee increases that were originally budgeted to occur in 2022 that were deferred until 2023. Also contributing to the

* Work Session Meeting - Submit 1 single sided/not stapled copy

Agenda Item Summary Draft Budget 2023 11142022.docx

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

Revised: 3-04-2019

increase is the new HHS Environmental Health operating assessment of \$13 per septic-utilizing parcel approved in 2022 (\$276k).

OTHER FINANCING SOURCES (TIMBER SALES)

Other Financing Sources, consisting mainly of timber revenues to the General Fund, are budgeted to decrease \$69k or -9.8% based on an August Draft DNR timber harvest sales projection received for 2023.

TRANSFERS IN

Transfers In for the General Fund are projected to total \$6.498 million in 2023, consisting of:

- \$4,683k from the Lower Dungeness Floodplain Restoration project as this project concludes in 2023,
- \$1,650k related to the Dungeness Off-Channel Reservoir project (relating to grant reimbursement of land acquisition costs that will be incurred in 2023);
- \$125k related to the Sheriff VRP Boating Fund's grant-fund acquisition of new boat that will require bridge funding from the General Fund that will be returned to the General Fund when grant proceeds are received; and
- \$40k standing transfer from Trial Court Improvements fund to the Sheriff Jail department.

This represents an increase of +\$6,088k in total Transfers In over 2022, primarily due to higher grant reimbursements expected under the Lower Dungeness floodplain project and Dungeness Off Channel Reservoir, as offset by a \$370k in transfers received from HHS 2022 relating to the return of General Fund support provided for the Serenity House bathroom remodel project.

EXPENDITURE BUDGET HIGHLIGHTS

Turning to expenditures for the General Fund, our Draft expenditure budget, excluding COVID-related costs) currently stands at \$55,090k, an increase of \$6,814k or 14.1% from our 2022 projected expenditures.

SALARIES, WAGES & BENEFITS

The largest driver of the increase over 2022 projected expenditures is in Payroll and Benefits costs. Representing approximately 67% of our total expenditure budget, Payroll and Benefits are up \$3,305k or 14.5% and \$1,792k or 19.5%, respectively, to the 2022 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 2022 where due to retirements, voluntary terminations, delays in filling positions during the year, the County had more open positions during 2022, particularly in areas like the Jail where we saw a much larger number of position openings. This resulted in a projected budget underspend in payroll and benefits in 2022 of approximately \$2.58 million. Based on 3-year and 5-year historical average payroll/benefits budget underspend of \$2.12 million and \$1.88 million, respectively, we anticipate a similar level of personnel budget underspend (albeit not as high in 2022), while not reflected in the current 2023 Draft budget due to policy, is nevertheless achievable in 2023. **If you adjust our 2023 personnel cost budget for this**

* Work Session Meeting - Submit 1 single sided/not stapled copy

Agenda Item Summary Draft Budget 2023 11142022.docx

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

Revised: 3-04-2019

\$2.098 million average budget underspend, our combined personnel costs in reality are expected to increase \$2.999 million or 9.4% in 2023 as compared to 2022.

This 9.4% increase in overall payroll/benefits costs is largely being driven by the full year impact of collective bargaining-related COLAs of 2.5% in January 2023, adjustments made to the pay scales, a \$50-per-month increase in County-paid health premium increases for most collective bargaining units, the addition of longevity-based medical premium pay as provided for in the collective bargaining agreements renewed in July 2022 and July 2023, new FTES added as outlined in the attached "2023 Department Requests Over Base Budget" and below, and extra help funding allotted for planned transitioned time for retiring staff (Treasurer's and Sheriff's Office) or for positional realignments (County Administrator).

We have budgeted 8.1 more FTEs in 2023 as compared to the 2022 budget, with additions in Auditor (+0.5), BOCC Operations (+.5 FTE), GIS (+1.0 FTE due to combination of DCD GIS with IT GIS), Human Resources (+1.8 FTE), HHS-Environmental Health (+1.0 FTE), Sheriff Operations (+3.85 FTE, due to addition of 1 (of 2) new deputy positions requested and transition of code enforcement with assumed hiring of a code enforcement sergeant), Sheriff Emergency Services (+.50 FTE), and Juvenile Services (+1.0 FTE) as offset by reductions in DCD (-1.6 FTE—primarily due to shifting code enforcement to Sheriff as offset by assumed hiring of Deputy Director position), IT (-.25 FTE), and HHS Admin (-.20 FTE).

NOTE REGARDING HEALTH INSURANCE AND WORKERS COMPENSATION BENEFIT

COSTS--It is important to note that the Draft budget does now reflect health insurance benefit rate increases of 4.8%-5.8% depending on the respective benefit plan, which in total increased benefit costs for the General Fund approximately \$217k. In addition, based on an analysis of the County's workers compensation L&I rates assessed (which have not been adjusted since 2018) and significant increases in claims cost and L&I in recent years, a worker's compensation rate increase needed to stabilize reserve levels in the Worker's Compensation fund has been incorporated into each personnel budget, which added an estimated \$309k of increased benefits costs to the General Fund.

SUPPLIES

Supplies are projected to increase \$172k or 13.4% from 2022 projected spending levels mainly due to several IT SRF departmental requests being incorporated into the 2023 budget as outlined in the Department Requests schedule, as well as projected underspend to budget in this area in 2022 of (\$239k) or 15.7%.

SERVICES

Services in 2023 are projected to increase \$1,852k or 26.3% over 2022 projected non-COVID services. These increases are mainly due to the following:

- A \$304k increase in DCD—Environmental Quality Salmon Recovery services relating to additional grant funding received for fish barrier projects;
- Higher IT infrastructure-related network router, software renewal, ESRI maintenance, and a full year of Microsoft Office 365 services costs (\$94k);
- A \$133k increase in HHS Environmental Health On-Site Services and Drinking Water services costs funded through the new On-site Septic Assessment Fee of \$13 per parcel (with a septic

* Work Session Meeting - Submit 1 single sided/not stapled copy

Agenda Item Summary Draft Budget 2023 11142022.docx

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

Revised: 3-04-2019

system) approved in 2022 and funding available from the HHS Foundational Public Health fund;

- An estimated \$120k or 7.5% increase in indigent defense services costs;
- \$349k of 2023 Department Requests reflected in the 2023 Draft Budget (see attached schedule), including:
 - Auditor (+\$50k --relating to County's assumption of printing & binding costs for Voter Pamphlets that was previously paid by the State but will be recaptured in higher election services revenues);
 - DCD Environmental Health (\$22k mainly relating to developing of a monitoring strategy for the Lower Dungeness);
 - GIS (\$31k relating to ESRI costs);
 - HR (\$45k for expanded job posting advertising),
 - Sheriff (\$19k),
 - Prosecuting Attorney (\$22k--mainly relating to higher witness and expert witness costs);
 - Parks Fair & Facilities (\$66k--relating mainly to higher repairs & maintenance costs of facilities, parks and fairgrounds, and increased fair entertainment and advertising costs to drive more out-of-county visitorship), and
 - Superior Court (\$53k relating to contracting for a part-time court facilitator and higher guardian at litem services costs),
 - Increases in other areas; and
- 2022 projected budget underspend of \$552k in Services in multiple other areas.

TRANSFERS OUT

Transfers Out are budgeted to total \$5.049 million, a \$1,119k or -18.1% decrease from 2022. This decrease is primarily due to a \$3.4 million decrease in Transfers Out to the Lower Dungeness Floodplain project as the bulk of Phase 2 construction work concludes by the end of 2022 and no further General Fund working capital funding will be needed to complete remaining work in 2023. Also contributing to this decrease is a \$405k decrease in transfers to HHS Operations and a \$9k decrease in transfer to the Law Library. These decreases are partly offset by an \$2,046k increase in working capital transfers out made to the grant-funded Dungeness Reservoir to fund the estimated \$2.2 million acquisition cost of the build site assumed in Q1 2023, the continuance of design work, and commencing of conveyance-related construction work in the 2nd half of 2023 (note that \$1.65 million of these funds are budgeted to be returned to the General Fund once grant reimbursements for the land acquisition are received). Additionally higher transfers related to a \$175k increase in Parks & Facilities Capital Projects fund transfer and \$202k increase in IT Capital Projects fund transfer reflecting the capital outlays slated for 2023 (see Capital section of report for more details), the Sheriff's Department's VRF Boating and Boating Safety funds for acquisition of an anticipated grant-funded replacement vessel of \$295k (note—this amount will be reduced between \$100k-\$125k pending correction of an error and finalization of County match requirements), the Veteran's Relief program (+\$70k), and PW-Flood Control (+\$26k) are driving the remainder of the offsetting increase.

Transfers for the Dungeness Off Channel Reservoir, Clallam Bay/Sekiu Sewer, and VRF Boating/Boating Safety Program consist of working capital advances projected for these funds to support the funds' ongoing grant-funded capital projects and capital outlays, and will be reimbursed to the General Fund as grant reimbursements for these projects are received.

* Work Session Meeting - Submit 1 single sided/not stapled copy

Agenda Item Summary Draft Budget 2023 11142022.docx

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

Revised: 3-04-2019

Transfers Out from the General Fund included in the 2023 Draft budget include the following:

• Dungeness Off-Channel Reservoir	\$2,450,000
• Parks & Facilities Capital Projects Fund	1,195,451
• IT Capital Projects Fund	551,523
• HHS Operations	125,000
• PW--Clallam Bay/Sekiu Sewer	140,000
• VRF Boating Program	125,000**
• Boating Safety Program	170,000
• Local Crime Victim Comp	67,000
• Veterans Relief	106,000
• PW--Flood Control	72,341
• Law Library	15,037
• Employee Healthcare	19,000
• PW--Solid Waste	6,500
• HHS Chemical Dependency/Mental Health	6,211

TOTAL TRANSFERS OUT—2023 \$5,049,063

**Amount mistakenly included when funding of boat replacement transferred to Boating Safety fund; will be substantially reduced/eliminated in final proposed budget pending confirmation of county match and Boating Safety fund reserve adequacy.

NOTE REGARDING VETERANS RELIEF TRANSFER--It should be noted that the Transfer to the Veterans Relief fund (which is new for 2023) is being driven by increases in Veteran's Relief fund expenditure increases over the last several years of 17.6% in 2020, 23.8% in 2021, and 23% projected for 2022, resulting in decreases in fund reserves of (\$75k) in 2019, (\$25k) in 2020, (\$47k) in 2021, and (\$55k) in 2022. As a result, in order to support the level of 2023 spending budgeted for this fund and to meet the monthly aid need experienced in 2022 of approximately \$9k per month, the Veteran's Relief fund will require a transfer of \$106k from the General Fund. As this additional funding will be coming in the form of a transfer from the General Fund, the property tax fixed levy rate apportioned from the General Fund to the Veteran's Relief Fund will be reduced from the .01125 current rate to .00924 which will insure the property tax funding source for Veteran's Relief grows at a rate proportional to overall General Fund property tax growth year-over-year.

NOTE REGARDING LOCAL CRIME VICTIM COMPENSATION FUND TRANSFER—In 2022, a debatable emergency was approved by the BOCC raising transfer funding provided to this fund from \$17,000 to \$67,000 to support this fund which had experienced a significant decline in one of the fund's primary sources of funding--Clerk's Office revenue—due to a reduction in payment of fines during the COVID pandemic and due to other RCW changes in how fines may be assessed. The 2023 budget reflects similar level of funding support needed. While not currently reflected in the 2023 Draft Budget, it should be noted that the Prosecuting Attorney's Office is requesting additional funding to hire an additional Victim Witness Coordinator in 2023, which if approved would raise the amount of transfer funding needed from the General Fund for this fund by approximately \$101k in 2023.

PAYMENT TO RISK MANAGEMENT/WORKERS COMP FUNDS

Payments from the General Fund to the Risk Management/Workers Comp Funds are budgeted to total \$1,642k, representing an increase of \$276k or 20.2% over 2022. This increase is reflective of

* Work Session Meeting - Submit 1 single sided/not stapled copy

Agenda Item Summary Draft Budget 2023 11142022.docx

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

Revised: 3-04-2019

significant increases in general liability, cyber, property and other insurance coverage premium costs charged to the County through the Washington State Risk Pool based overall insurance cost increases being experienced across Washington state.

DEPARTMENT REQUESTS FOR 2023—as outlined in the attached “2023 Department Requests Over the Base Budget—Administrator Draft Budget”, a total of \$1,047,257 of the \$1,618,718 of additional General Fund spending requests are included in the Draft Budget, with the remaining \$571,461 recommended for deferral, with several recommended for revisiting as part of the 2023 mid-year review once the County has better visibility into the economic conditions affecting the 2023 budget. Of the Other Non-General Fund requests of \$441,662, we have recommended approval of \$248,441.

COVID-19 COSTS FUNDED FROM THE GENERAL FUND

- The General Fund 2023 Draft Budget currently does not reflect any COVID-specific budgeted revenues or expenditures, outside of \$100k of FEMA reimbursements the County expects to receive in 2023 for eligible COVID expenditures incurred in the 2nd half of 2022.
- With FEMA-funded COVID mitigation costs in the County’s facilities ending in the third quarter of 2022, no additional COVID-related costs are expected to be paid out of the General Fund in 2023, representing a decrease of FEMA COVID costs incurred by the General Fund in 2022 of approximately \$93k.
- All remaining eligible COVID-related expenditures in 2023 are budgeted to be funded out of the NonDepartmental—American Rescue Plan Act fund or other HHS special revenue funds that have COVID-specific grant funding for 2023.

CONCLUSION/TAKE-AWAYS

Based on this Draft revenue and expenditure budget presented, the budget reflects utilizing \$1,965k of General Fund reserves to fully fund the 2023 budget, leaving ending reserves of \$9,866k. 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 \$1.9 million-\$2.1 million, coupled with the BOCC direction that any new positions approved in the Department Request list be held open until mid-year 2023 as a precaution given the economic uncertainty in 2023, **the General Fund’s 2023 Draft Budget as adjusted would produce a projected surplus of \$299k**, as compared to 2022’s projected deficit of (\$3,698k), which would leave **an ending fund balance of \$12,130k for 2023, or a reserve of 23% of expenditures.**

ADDITIONAL POTENTIAL BUDGET ADJUSTMENTS

While not yet incorporated into the 2023 budget yet, staff have identified additional adjustments that are being evaluated and finalized for potential inclusion in the 2023 Proposed Final Budget which would increase the forecast 2023 operating surplus for the General Fund as follows:

- Correction of Duplicate Boating Safety/VRF Boating Transfer Out--\$100k-\$125k
- Additional Investment Interest Income based on revised Treasurer calculations--\$350k-\$400k
- Additional Sales Tax Revenue to reflect 3% Annual Growth on Revised 2022 Projection--\$111k

* Work Session Meeting - Submit 1 single sided/not stapled copy

Agenda Item Summary Draft Budget 2023 11142022.docx

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

Revised: 3-04-2019

- Revert Courthouse Security from Outsourced Service to Sheriff Jail--\$220k
 - **TOTAL POTENTIAL ADDITIONAL REVENUE/COST SAVINGS--\$781K - \$856K**
 - **REVISED ENDING RESERVES IF CHANGES MADE--\$12,911K - \$12,986K**

LIQUIDITY IMPACT OF MULTI-YEAR GRANT-FUNDED PROJECTS

2023 will see the County 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--\$7.2 million project (\$3.588 million grant funded)
- Dungeness Reservoir--\$38.6 million project
- Joyce Broadband Expansion Project--\$22.4 million (fully grant funded with match covered by \$1.786 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 month (which has affected reimbursements for Dungeness Off Channel Reservoir and Clallam Bay Sekiu Sewer) or have experience grant reimbursement processing delays due to staffing shortages relating to the pandemic, this potentially will place greater demand for working capital liquidity from our various reserves, including the General Fund. To mitigate these liquidity pressures, departments have been requested to closely coordinate and communicate with their granting agencies to ensure timely grant reimbursement submission and payment turnarounds, as well as to request as applicable a shortening of grant reimbursement windows to no less frequently than monthly.

Also, at the request of the BOCC and through coordination of the County Administrator, the County will be assigning project team members to these various projects, including representatives from Finance, IT, operations and other areas as needed, in order to improve financial oversight, planning, and execution of these projects and to mitigate risk.

The County's Finance Department will also be exploring options for opening a revolving line of credit to provide additional liquidity if needed as several of these capital projects funding needs ramp up.

* Work Session Meeting - Submit 1 single sided/not stapled copy

Agenda Item Summary Draft Budget 2023 11142022.docx

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

Revised: 3-04-2019

2023 DRAFT CAPITAL OUTLAYS (INCLUDED IN 2023 DRAFT BUDGET)

- **CAPITAL REQUESTS**—consistent with the draft 5 Year Capital Plan and 2023 Proposed Capital Budget presented to the BOCC at work session on October 24, 2022, we are proposing a total \$25,799,098 of capital outlays for the 2023 budget, and deferring \$1,410,738 of requests identified in the 2023 capital plan. The Draft capital outlays are proposed to be funded through the following sources (source: "Proposed Capital Requests to Include in 2023 Budget" attachment):
 - **Parks & Facilities Capital Projects Fund**--\$4,013,000 (consisting of the first half of the EOC construction phase (\$3.54 million), of which \$.588 million is funded through 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 and \$3 million earmarked in the 2023 Federal appropriations budget, along with a transfer of \$1 million from the General Fund to fund initial working capital needs of the project which was budgeted in 2022 but deferred due to delays in the project); also included are \$118k for PFF Unanticipated Projects, \$70k to fund a Building Facility Security and Safety Study, \$100k to replace Failed Dock piles at Lake Pleasant and Camp David Jr, \$150k for an Office Space Reconfiguration/Expansion placeholder to cover needs in the Auditor's Office, Finance, WSU and others, and \$35k for Fairgrounds shower upgrades); the capital outlays from this fund will require a Transfer from the General Fund of \$1.195 million.
 - **IT Capital Projects Fund**--\$644,120 (mainly relating to Cisco license renewal and switch replacements (\$257k), network device replacement (\$67k), recurring PC Replacement (\$90k), Tyler Permit Planning system remaining costs (\$30k), Wireless network upgrade and expansion (\$100k), Microsoft InTune Deployment (\$29k), UPS DR Site and phone system upgrades (\$19k), scheduled copier replacements (\$43k), and server hardware replacement (\$10k); the capital outlays from this fund will require a Transfer from the General Fund of \$552k.
 - **REET 1**--\$2,210,000 (consisting of \$1,635,000 of capital outlays, with major items including the Juvenile Facilities Roof Membrane Replacement (\$725k), Restoration of the Old Juvie Building to Office Space (\$300k), the continued replacement of the Courthouse VAV HVAC air system boxes (\$250k), Replacement of the Art Barn Roof at the fairgrounds (\$120k), a Fairgrounds Site and Security Lighting and Power Project (\$100k carry over project, which would be 50% grant funded), and other carryover or recurring projects (\$240k). Also to be funded through REET are \$575k of transfers to the Carlsborg Deep Water Well (\$75k) and Clallam Bay Sekiu Sewer fund (\$500k) to fund a 5-year project to replace each of the systems five pump stations (\$470k) and replace the drive bearings for the systems' remaining four biological contactors (also a carryover project--\$80k);
 - **REET 2**--\$1,963,215 (including \$1,100k to Roads to fund 2023 road projects which includes the carryover of an additional \$400k ask approved in the 2022 budget to help fund the rebuild of Towne Road on the new Lower Dungeness Levy in 2023, remaining installation costs of 3 electric car charging stations at the Courthouse (\$25k), and \$225k of carryover Courthouse irrigation/planter/sidewalk replacements. Also to be funded through REET 2 is a transfer of \$613,215 to the Clallam Bay Sekiu Sewer fund to fund the \$505k of carry over costs related to the 2022-approved pump station replacement that will instead

* Work Session Meeting - Submit 1 single sided/not stapled copy

Agenda Item Summary Draft Budget 2023 11142022.docx

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

Revised: 3-04-2019

occur in early 2023 (\$425k) and the bearing replacement carry over project (\$80k), and to subsidize those REET-eligible maintenance costs of the sewer fund that are not currently covered by projected revenues (\$108k);

- **General Fund**--\$892,000 (consisting primarily of:
 - \$407k of Sheriff Operations/ Jail/ Animal Control / Emergency Services items (\$207k of which is for vehicle equipment for the scheduled replacement of 4 patrol vehicles, 1 animal control vehicle, and 1 emergency management response RV vehicle for the west end, and \$65k for acquisition of one additional patrol vehicle for the one additional patrol deputy position to be added), with remainder for portable radio replacements, Jail PIPE hardware, camera, and book room upgrades, and ARES Program Equipment).
 - HHS Environmental Health (\$90k to re-equip 30-year-old testing lab equipment),
 - Prosecuting Attorney--\$15k for staff Iphone replacements
 - Superior Court (Clerk bench remodel \$11k),
 - District Court 1 (\$10k requested for lobby display), and
 - Parks and Facilities (\$277k requested to purchase 2 UTVs, 2 Tractors with loader/mower attachments, and replace an RV bunkhouse to more efficiently support maintenance needs at two parks and the fairgrounds.

As noted earlier, Transfers from General Fund are budgeted to the Parks & Facilities Capital fund (\$1,195k), IT Capital Projects fund (\$552k), and Clallam Bay Sekiu Sewer Fund (\$140k needed to support additional wastewater treatment operator FTE and to subsidize this fund to fully cover its operating costs) to fully fund the 2023 capital projects in these funds.

- **Other Funds Capital Outlays**
 - Boating Safety--\$157k of grant-funded costs to acquire a replacement marine vessel, but which will require a transfer of \$170k from the General Fund as a working capital
 - VRF Boating Fund--\$29k for replacement marine vessel costs not covered under grant
 - OPSCAN--\$177k for radio network equipment replacement
 - Carlsborg Sewer--\$240k and \$240k for the Savannah/Village Lane extension (Opportunity Fund funded), (NOTE: per BOCC discussion, the \$250k designated previously for the Gupster project has been deferred pending further need analysis);
 - Clallam Bay Sekiu--\$2,975k (includes \$2.0 million DOE grant funded collection system rebuild project, \$895k to replace the first two of five pump stations, one of which is a carryover from 2022 but will be completed in 2023 (REET 1 transfer funded), and \$80k to replace all bearings on remaining four biological contactors (REET 1 transfer funded, carryover project);
 - ER&R--\$1,917k, consisting of vehicle and equipment replacements for Roads of \$1.480 million and \$257k for General Fund, and \$180k for general site maintenance to replace failing gutters on all ER&R buildings;
 - ARPA--\$347k, with \$250k for the Bipolar Ionization Air Purification System for County facilities to reduce airborne illness risks and \$97k of carry over costs relating to the BOCC Board Room IT Technology Upgrade project (BOCC approved usage of ARPA funds); and

* Work Session Meeting - Submit 1 single sided/not stapled copy

Agenda Item Summary Draft Budget 2023 11142022.docx

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

Revised: 3-04-2019

- Dungeness Off Channel Reservoir--\$5.173 million for land acquisition (\$2.2 million), design work, and conveyance construction phase work of Dungeness Off Channel Reservoir Project (100% grant funded through grants rec'd to date).
- Broadband Project--\$6.317 million for initial engineering/design, permitting, project management, materials, and right of way ascertainment
- Carlsborg Deep Water Well--\$75k to cover potential remaining costs of project.

In summarizing the total Draft capital spend by the key strategic initiative or summary categories we grouped our 2023-2027 capital plans according to, the 2023 Draft budget proposes the following spending by key initiative/grouping:

- **EOC Relocation**--\$3,540,000
- **Courthouse Facility Aging Infrastructure Initiatives**--\$670,000 (consisting of \$250k for VAV Air System Box replacements, \$300k to restore Old Juvie Building for use as office space, Fairgrounds Art Barn Roof Replacement);
- **Juvie Master Plan**--\$725,000 (roof membrane replacement)
- **Disaster Recovery/Business Continuity**--\$12,000
- **IT Infrastructure Initiatives**, --\$263,300
- **Sewer System Repair/Replacement Initiatives**--\$3,215,000 (relating to Clallam Bay/Sekiu collection overflow project which will be 100% funded through Ecology grant/loan (\$2.0 million), pump station replacement (\$895k), and biological contactor bearing replacement (\$80k) and \$240k Carlsborg sewer Village Lane extension funded through Opportunity fund)
- **Deep Water Well/Water Mitigation**--\$5,248,000 (\$75k Carlsborg Water Mitigation, \$5.173 million Dungeness Off Channel Reservoir (100% grant funded)
- **Other Non-Recurring Capital Outlay**—\$571,245 (Fairgrounds shower upgrade (\$35k), 1 new patrol vehicles for added deputies (\$65k), Jail PIPE hardware, camera, and booking area improvements (\$26k), Sheriff EMS response vehicle replacement (\$30k), DC1 Lobby Display (\$10k), Parks & Facilities UTV, Tractor Additions (\$277k), ARPA-funded BOCC Board Room IT technology upgrade (\$97k), and VRF funded vessel replacement funding (\$31k)
- **Broadband Expansion**--\$6,317,274
- **Mandatory/Recurring/Regular Replacement**--\$704,966 (mostly fleet vehicle replacement costs, IT PC and copier replacements, failed pilings at two park boat ramps, etc)
- **Previously Approved Carry Over Capital Outlays**—\$833,000
- **Road Projects Supported Thru REET**—\$1,100,000
- **Non-Recurring Capital Fully Funded through Grants/Dedicated Funds (No General Fund/REET Funding Needed)**—\$421,114
- **ER&R Funded Capital Outlays**--\$1,917,000
- **ARPA Funded Capital Outlays**--\$250,000 (building HVAC air purification system)
- **Courthouse/Juvenile Services Building Security**--\$11,199.

▪ **TOTAL--\$25,799,098**

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

* Work Session Meeting - Submit 1 single sided/not stapled copy

Agenda Item Summary Draft Budget 2023 11142022.docx

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

Revised: 3-04-2019

Questions? Call Loni Gores, Clerk of the Board, ext 2256

This is the Draft rolled up budget for 2023. No budgetary impact until the final adopted budget is approved in December 2022.

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

County Official signature & print name:  Mark Lane_____

Name of Employee/Stakeholder attending meeting: _____Mark Lane, Rebecca Turner, Rich Sill, Debi Cook_____

Relevant Departments: _____Finance, BOCC_____

Date submitted:

November 9, 2022

* Work Session Meeting - Submit 1 single sided/not stapled copy

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