

CLALLAM COUNTY
GENERAL FUND DRAFT 2025 BUDGET
BREAKDOWN OF ADOPTED 2025 BUDGET SURPLUS (DEFICIT) VS 2024 PROJECTED SURPLUS (DEFICIT)
\$ IN 000s

		<u>NOTES</u>
TOTAL GENERAL FUND OPERATING SURPLUS/(DEFICIT)--2025 ADOPTED BUDGET	728	
TOTAL FORECASTED GENERAL FUND OPERATING SURPLUS/(DEFICIT)--2024 PROJECTED	-44	
NET CHANGE IN OPERATING SURPLUS/(DEFICIT)--2025 ADOPTED BUDGET VS 2024 PROJECTED	772	
<u>MAJOR COMPONENTS OF CHANGE IN OPERATING SURPLUS/(DEFICIT) FROM 2024 TO 2025:</u>		
INCREASE IN TAX REVENUE (PROPERTY TAXES, SALES & USE, JUVENILE SERVICES SALES & USE, ETC)	851	Assumes Property Taxes projected to grow 1.54% based on 1% levy growth allowed plus new construction. Sales Tax revenues assume an annual increase of +4% which is reflects two primary components--(1) the assumed growth of 3% in overall taxable retail sales activity projected for WA State by the WA Economic Forecast Council of 3.8% for 2025, and (2) factoring in of the estimated continued incremental impact of sales tax of the continuation of several large WSDOT US 101 fish barrier removal and other Clallam WSDOT road construction projects occurring in 2025. Other taxes for Local Criminal Justice/Public Safety reflect growth of 6.5% in 2025 based on MRSC published guidance.
INCREASE IN LICENSES & PERMITS	263	Increase is primarily due to an increase in Department of Community Development building permit, building plan check, and land use permits fees reflective of a planned increase in rates to bring rates more inline with comparable counties, as partially offset by a decrease due to higher franchise revenues generated by the Astound cable franchise agreement in 2024 due to a change in frequency of billing cycle.
DECLINE IN INTERGOVERNMENTAL REVENUE--GRANTS	-18	Intergovernmental Grant revenues declined by -\$18k or -0.3%, driven principally by declines in Sheriff Ops (down \$389k due to the WASPC Mental Health Field Response grant rec'd in '24), Auditors (down \$44k due to Election Security grant), lower DCD Environmental Quality grants from the Dept of Commerce Growth Management and Climate Planning and other grants (down \$444k due mainly to lower GMA and NOPL grants in '24, and Superior Court (down \$28k in AOC Interpreter and other grants), as partly offset by grant gains in BOCC NonDepartmental (+ \$238k for Facilities Energy audit grant & \$250k CBDG CIE grant), and Recompete (up \$67k), DC1 (up \$171k due to AOC Therapeutic and Veterans Court), PA Coroner (up \$40k), and Fair (up \$31k), and other increases.
INCREASE IN INTERGOVERNMENTAL REVENUE--PILT, PUD Privilege Tax, Criminal Justice, Marijuana/ Liquor Excise, Autopsy, HCA Medicaid Reentry Demonstration, Other	1,453	Primarily due to \$1,400k increase in Juvenile Services due to the HCA Medicaid Reentry federal program funding.

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INCREASE IN INTERGOVERNMENTAL--Timber Revenue	600	Increase of based on initial 2025 estimate derived from June DNR 2024 timber harvest report due to delays of certain harvest areas in 2024--to be further adjusted pending receipt of updated updated forecasts from DNR.
INCREASE IN GOODS & SERVICES REVENUE	741	Increase is primarily due to a \$385k of Medicaid Reimbursement revenue the Sheriff Jail Medical will be able to begin billing in the 2nd half of 2025 under the HCA Medicaid Reentry program, as well as due to gains in HHS Environmental Health (+\$213k principally due to rate increases implemented in the 2nd half of '24), Sheriff Jail (+\$134k related to assumed resumption of CREW work along county roads), Auditor's election services (+\$143k), DCD Building (+\$44k), CPI-tied increases under certain interagency criminal justice services agreements (\$58k), higher Hargrove billing for Drug Court and Prosecutor DPA time spent supporting Superior Court's therapeutic courts (\$53k), and increases in other areas, as offset by decreases in Juveniles Services (down -\$173k mainly in reduced need for Hargrove funds due to the HCA Reentry program and lower SBHO Title 19 revenue), lower Hargrove funding needed to fund the DC1 mental health court (\$244k) due to the AOC Therapeutic Court grant rec'd, Parks and Facilities (down -\$67k due to discontinuance of charging capital project management fees and the sale of firewood) .
DECREASE IN FINES & PENALTIES REVENUE	-47	Decrease is primarily due to lower fines & penalty revenue budgeted in the Treasurer's Office (down \$29k) and by District Court 2 (down \$18k) in comparison to 2024 trend.
INCREASE IN MISC REVENUE	35	Increase mainly due to trending higher interest on delinquent taxes, higher fair related revenues, and other increases, as offset by modestly lower investment interest income in 2025 as the Federal Reserve is expected to begin lower interest rates later this year. Campground revenues are expected to remain flat.
DECREASE IN TRANSFERS IN	-584	Primarily due to lower transfers of interest income earned on ARPA funds as ARPA funds become depleted, and lower transfers of working capital returned by the Lower Dungeness Floodplain project.

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INCREASE IN PAYROLL	-1,800	Increase is partly due to base budget assuming all positions staffed per current policy (vs savings from position darktime)--see below for estimated dark-time projected underspend. When adjusted to reflect \$0.847 million of historic darktime budget underspend (which is projected to be lower in '25), payroll is projected to increase approximately \$0.953 million, or 3.6%, from 2024 to 2025 which reflects increases due to COLAs resulting from certain collective bargaining agreement negotiations (with the exception of our interest arbitration and limited commission units which are in various stages of negotiation), pay step increases, pay adjustments, and a net reduction of (2.33) FTEs from 2024 to 2025 (with additions of 3 in the Recompete grant-funded program, 4 in Sheriff Jail Medical due to bringing nursing services inhouse following the end of the Wellpath agreement, 1 in Health & Human Services Environmental Health, and 1 in District Court 1 being as offset by headcount reductions of 10.7 FTEs resulting from the 7% expenditure cut requested of all departments.
INCREASE IN BENEFITS	-1,133	Increase due to base budget assuming all positions staffed--see below. When adjusted to reflect \$0.352 million of historic darktime budget underspend, benefits are projected to increase approximately \$781k, or 7.4%, from 2024 to 2025, with this increase reflecting the increase in payroll costs outlined above, the \$50 per month County-paid health premium increases and longevity-based medical premium pay increases that take effect in January each year under the collective bargaining agreements, and a modest increase in DRS retirement contribution rates.
DECREASE IN TRANSFERS OUT	996	Primarily due to decreases in Transfers to the Parks & Facilities Capital Projects fund (-\$295k), and IT Capital Projects (-\$484k) reflecting our proposed 2025 capital spend from the update 5 Year Capital Plan (and reflects lower spend overall as compared to 2024 due to deferral of certain projects and reductions made as part of the 7% expenditure reduction efforts). Transfer decreases are also reflected to HHS Operations (-\$125k), PA Local Crime Victim (-\$24k due to higher state funding being provided (+\$28k) and a -0.2 FTE reduction), Solid Waste (-\$70k due to lower than expected Lakecreek landfill monitoring costs), Veterans Relief (-\$55k), Sheriff Honor Guard (-\$5k), Carlsborg Sewer (-\$27k), Flood Control (-\$6k), Law Library (-\$17k), as offset by a \$107k increase to REET1 from Juvenile Services to partially support the Juvenile Services HVAC Chiller capital project funded through REET1, and Treasurer Land Assessment (+\$5k).

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INCREASE IN SUPPLIES	-97	Increase of 6% is mainly reflective of department requests totaling \$37k (principally related to IT equipment requests by various departments, additional body camera equipment for Sheriff's Office, and Parks/Facilities supplies increases), \$62k in higher Recompete grant-funded supplies and marketing materials, as well as due to 2024 budget trend savings reflected in the 2024 projection and increases in other areas, as offset by decreases in our Adobe license costs, allocation of Energov software license costs across multiple departments/funds based on groups supported by the software, and cost reductions identified as part of the 7% cost reduction effort.
DECREASE IN SERVICES	1,679	Due to the 7% cost reduction exercise undertaken to close the funding gap between revenues and expenditures projected for 2025, with approximately (-\$1.25) million of net reductions identified by various departments. The decreases are also due to lower WASPC Mental Field Response grant-funded services costs in '25 (\$408k), reduced grant-funded services costs tied to the overall -0.3% decrease in grant revenue over multiple areas from 2024 to 2025 (including DCD Environmental Quality's GMA and Climate Change grants, Auditor's elections security, Superior Court, and others), lower Recompete services (-\$171k), the ending of jail nursing outsourcing in Q1 '24 (\$104k), the transitioning of noxious weed and certain master gardener costs from WSU Extension to the Noxious Weed fund, and the reclassification of certain multi-year software licensing costs from Services costs to Debt Service due to a recent accounting rule change (\$321k), and other decreases. These decreases are partially offset by department request-related increases of \$235k, additional grant-funded services costs in BOCC Non Departmental (Energy Audit--\$238k), additional BOCC NonDepartmental professional services costs related to a criminal justice cost study and consulting costs related to the County's planned implementation of a new accounting system in 2025 (\$190k), professional services for the update of the Parks Master Plan (\$150k), and other contractual increases in various areas.
INCREASE IN PAYMENT TO RISK MANAGEMENT/WORKERS COMP FUNDS	-310	Due to a \$310k or 15.8% increase in Risk Management assessment over prior year driven by a 15.8% increase in total expenditures of the Risk Management fund, which are increasing mainly due to an expected 20%+ rise in WAC risk pool costs in '25 over 2024 due to rising liability and property insurance costs being seen state-wide continuing a multi-year trend, as well as shifting of certain personnel costs from HR to Risk Management.

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INCREASE IN CAPITAL OUTLAYS	-1,535	This increase is primarily related to \$1.5 million of IT infrastructure capital outlays to be funded by the HCA Medicaid Reentry grant, with \$1 million reflected in the Juvenile Services budget and \$500k reflected in the Sheriff Jail budget. This increase is also driven by additional capital related to needed replacement of CCSO and Juvenile Services' taser inventory and Patrol's mobile data terminals, and additional data storage needed related to the body camera system implemented in the CCSO, as well as grant-funded security equipment in Superior Court.
DEBT SERVICE--LEASES/SBITAS	-418	Increase is mainly due to an accounting rule change that required the County to reclassify the costs of certain multi-year software licensing costs previously budgeted for as supplies or services to instead be classified as debt service-related subscription based information technology arrangements ("SBITAs"). This increase also reflects additional costs related to the renewal/upgrade of the County's Microsoft Office 365 license (+\$67k) as part of an IT department requested recommended for approval.
REMAINING PROJECTED OPERATING DEFICIT--EXCLUDING CAPITAL TRANSFERS/PROPOSED DEPT REQUESTS	96	
TOTAL CHANGE IN GENERAL FUND OPERATING SURPLUS/(DEFICIT)--ADOPTED 2025 BUDGET VS 2024 PROJECTED	772	
<u>PROJECTED GENERAL FUND OPERATING DEFICIT--ADJUSTED FOR AVG COMP UNDERSPEND</u>		
TOTAL GENERAL FUND OPERATING SURPLUS/(DEFICIT)--2025 ADOPTED BUDGET	728	

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LESS: HISTORICAL AVERAGE BUDGET UNDERSPEND--SALARY AND BENEFITS

1,200

PROJECTED GENERAL FUND OPERATING DEFICIT--ADJUSTED FOR AVG COMP UNDERSPEND

1,927

PLUS: ESTIMATED COSTS NOT FACTORED INTO THE PROPOSED BUDGET--INCREMENTAL LABOR COSTS RELATED TO CBAS NOT YET RATIFIED, SEPARATION OF CORONER FUNCTION FROM PROSECUTING ATTORNEY, AND INDIGENT DEFENSE CONTRACT RENEWAL COSTS

-1,415

PROJECTED GENERAL FUND OPERATING SURPLUS (DEFICIT)

512

PROJECTED 2025 GENERAL FUND BALANCE--BASED ON ADOPTED BUDGET AS ADJUSTED

PROJECTED FUND BALANCE--BEGINNING

13,404

PROJECTED 2025 GENERAL FUND OPERATING SURPLUS (DEFICIT)

512

PROJECTED FUND BALANCE--ENDING

13,917

Historically, the General Fund has underspent its salary/benefits budgets on average by \$2.882 million over the last 3 years, and by \$2.553 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. For 2025, with labor market conditions tightening, pay adjustments resulting from the collective bargaining process, and enhanced recruiting efforts, and elimination of certain open budgeted positions as part of the 7% reduction exercise, a lower level of underspend of \$1.198 million (or 3% of total personnel costs budgeted) has been assumed for the 2025 budget.

While not yet factored into the 2025 budget due to timing/resolution of these issues, we believe it is important to point out these additional anticipated costs that will need to be incorporated into the 2025 budget at a later date following budget adoption.