



# *CLALLAM COUNTY PRELIMINARY BUDGET 2026*

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- Tuesday, December 9<sup>th</sup>—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:

- 2026 Preliminary Budget Summary—All Funds;
- General Fund 4 Year Comparison of 2026 Preliminary Budget to Projected/Actual Results for 2025-2022;
- General Fund 4 Year Comparison of 2026 Preliminary Budget to Adopted Budgets for 2025-2022;
- 2026 Preliminary Budget General Fund Revenue, Expenditure and Staffing Charts by Type and by Program;
- 2026 Budget Salary Worksheet Breakdown by Department/Fund;
- 2026 Budgeted Staffing Schedule 10 Year History;
- 2026 Department Requests Over Base Preliminary Budget;
- 2026 Preliminary Capital Outlay Budget—by Fund; and
- 2026 Preliminary Budgeted Transfers Between Funds

It is important to note that this preliminary budget represents each departments' preliminary budget submissions and reflect their base budgets with all budgeted positions assumed filled in accordance with how policy currently requires us to budget, which, as previously discussed, has not historically mirrored the County's actual payroll spending trends where the County has underspent its personnel budgets in the General Fund between \$2.76 million and \$3.2 million each year due to open positions, turnover and retirements (further discussion below).

This initial budget also reflects preliminary estimates for 2026 revenue which are partly dependent on the current revenue forecast assumptions for 2025, as well as many additional variables, including

- GDP growth and inflationary growth expectations based on most recent Washington state economic forecasts,
- Local economic conditions;
- Large road infrastructure projects currently underway in our County which are expected to materially impact the County's sales & use tax projections in from 2025 thru 2030;
- The expected level of new construction to be captured for purposes of setting 2026 levy amounts for property tax purposes;
- Further changes in long term and short term interest rates as the Federal Reserve policy transitions from being centered on inflation reduction to economic stabilization as labor markets begin showing signs of softening; and
- Other revenue guidance available thru MRSC, the DNR, and other sources.

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Taxes, Intergovernmental taxes (including PILT, Timber excise tax, Leasehold Excise tax, PUD Privilege Tax, etc.), and Timber revenues--representing approximately 58% of the General Fund 2026 revenue budget—are based on projections developed by the Finance Department based on the evaluation of such variables and available guidance. Departmental assumptions for other revenue streams reflected in this preliminary budget will be discussed and evaluated for reasonableness during the budget discussions with each department in September, with any changes to be made and reflected in the Administrator Recommended Budget to be submitted to the BOCC in October.

While the Preliminary Budget revenue assumptions overall do not assume a recession in 2026 which is consistent with most national banks (Goldman Sachs, JP Morgan, and others) and economists (including those of WA State Economic Forecast Council), it does reflect prevailing expectations among economists who predict economic growth to slow as the impacts and uncertainty surrounding tariff and fiscal policy, and continued pressure felt by consumers due to high interest rates continue to restrain home sales, big ticket purchases, etc. From a local perspective, although unemployment in the County remains at a relatively low 4.4% currently, we do believe local events such as last year's McKinley closure, the increasing timber industry impacts felt from delayed timber harvests due to DNR administrative pauses and litigation, and other local economy growth challenges will continue to create employment headwinds that will impact certain of our sales-driven revenues this year and next year. While some relief may be seen as the Federal Reserve resumes reducing interest rates as inflation subsides and signs of employment and economic indicators softening emerge, we do not expect that this will result in significant economic activity gains for our County. In its June report, the WA State Economic Forecast Council is forecasting a 5.0% increase in nominal personal income growth in 2026, which is slightly below what was seen in 2024 (6.1%) and 2025 (5.2%). Despite a rough early spring season, local tourism on the Olympic Peninsula has held up despite tariff policy impacts on tourism from Canada, supporting the County's various sales and lodging taxes. Finally, WSDOT fish barrier and other major road construction projects are slated to continue for the next several years, although the impact of these projects has been sporadic in the County's sales tax collections.

Taking these issues into consideration, for the 2026 Preliminary Budget, a sales tax growth assumption of **2.5%** was used in preparing the 2026 preliminary revenue budgets for our various sales-based taxes of the County, which is slightly below the 2.7% projected growth for 2025 presented in our mid-year review report based on results seen thus far at the mid-way point of 2025. We believe this lower level of growth assumption is warranted given the uneven growth seen thus far in 2025, uncertainty surrounding tariff impacts on inflation, and given the lowered expectations of economic growth for Washington State as forecast by the WA State Economic Forecast Council.

Given that economic conditions are still evolving in the 2<sup>nd</sup> half of 2025 as is the economic impact of many of these WSDOT projects, the sales tax revenue budget for 2026 will continue to be revisited multiple times during the 2026 budget process to reflect any changes in expectations for next year.

Other non-General Fund revenue streams tied to real estate, particularly REET 1 and REET 2, are expected to remain flat in 2026 based on WA State Economic Forecast guidance which calls for low single digit growth in 2026.

From an expenditure standpoint, there are certain additional costs not yet fully incorporated into this preliminary budget which may be included in later versions of the 2026 budget pending further

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discussion with the departments and/or the BOCC, ratification of agreements, or based on election outcomes in November, including:

- **Additional Payroll/Benefit costs resulting from conclusion of labor negotiations with our interest arbitration and limited commission bargaining units** that is not yet fully reflected in the Preliminary Budget pending finalization of negotiations (a high level placeholder is included in for purposes of estimating ending reserves);
- **Addition of a County Coroner position**, pending outcome of Charter Review efforts to address this issue in the upcoming election (a high level placeholder is included in for purposes of estimating ending reserves);
- **Additional Capital outlays and related transfers needed to fund additional capital outlays from the General Fund, REET Funds, Opportunity Fund, and other sources**—while the Preliminary Budget does include those capital outlays and related transfers needed for mandatory, recurring, and carry over capital projects previously approved in last year’s 5 Year Capital Plan update and budget, including planned General Fund capital outlays of \$998k related to the HCA Medicaid Reentry grants to enable capacity-building of our adult and juvenile carceral facilities and IT infrastructure, it does not include any new capital project requests. A list of these capital outlays that are currently excluded from the budget pending further review/discussion are provided in this budget packet;
- **One-time and Recurring Department Requests Over the Base Preliminary Budget** (see included schedule);
- **Finalization of the General Fund’s 2026 indirect cost allocation plan** pending completion of the update/true-up of this plan which will be incorporated into the Recommended Budget—based on a preliminary estimate we expect a net increase of approximately \$100k-\$120k in General Fund costs allocated to other funds (thereby reducing the General Fund’s net operating expenditures by the same amount);
- **Inclusion of Any New Tax Revenues**, including the proposed General Fund Levy Lid Lift to appear on the November ballot, or the new .1% Criminal Justice Sales Tax approved under HB2015 in the last legislative session.
- **Other revenue enhancement and cost savings initiatives** to be discussed and explored by all General Fund and General Fund supported departments.
- Other initiatives or changes in support funding the BOCC would like to incorporate into the budget.

## **GENERAL FUND BUDGET OVERVIEW**

At a high level, the 2026 Preliminary Budget projects a beginning General Fund Balance of approximately \$15.877 million, Revenues totaling \$54.9 million, Expenditures (including Transfers Out to other funds) of \$57.7 million, resulting in a budgeted use Reserves of (\$2.834) million, and leaving an ending General Fund Balance of \$13.043 million, representing an ending reserve level of 23% of total operating expenditures. However, as discussed later, when one adjusts for underspend to our

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personnel and benefits budgets of \$1.2 million, it is expected the preliminary budget deficit for 2026 is closer to (\$1.620) million, as compared to 2025's projected surplus of \$3.9 million, which would leave an ending fund balance of \$14.3 million for 2026, or a reserve of 25% of expenditures. After adjusting for certain placeholder amounts related to open labor contracts, addition of a new coroner position, and other adjustments that we currently estimate to total approximately \$1.689 million, we estimate a preliminary budget deficit for 2026 of (\$3.258) million and an ending fund balance of \$11.354 million (assuming no payroll underspend) and \$12.619 million (when factoring in estimated payroll underspend), representing reserve levels of 19% and 22%, respectively.

Below are the revenue and expenditure highlights behind these results:

### **REVENUE BUDGET HIGHLIGHTS**

General Fund Revenues from Operations (which exclude Transfers In) are projected to total \$54.3 million, representing a -\$3,925k or -6.74% decrease over 2025 projected revenue expected, and a -\$2,454k or -4.3% decrease over the 2025 originally adopted budget. Transfers In revenues, consisting mainly of the return of working capital previously provided by the General Fund to other grant-funded projects and the non-recurring transfer of ARPA interest income to the General Fund, is budgeted to total \$552k, representing a decrease of -\$281k from 2025 projected revenue. Total Revenue, including Transfers In, overall is budgeted to total \$54,894k, a decrease of -\$4,206k or -7.1%. As will be discussed in more detail below, these decreases are largely due to -\$5.758 million decrease in Intergovernmental Grant Revenues, including decreases of \$3.84 million from the HCA Medicaid Reentry grant and -\$630k from the Recompete grant from 2025 to 2026, as offset by revenue growth in Taxes, Intergovernmental Taxes, Charges for Goods & Services, and Medicaid Reimbursement revenues.

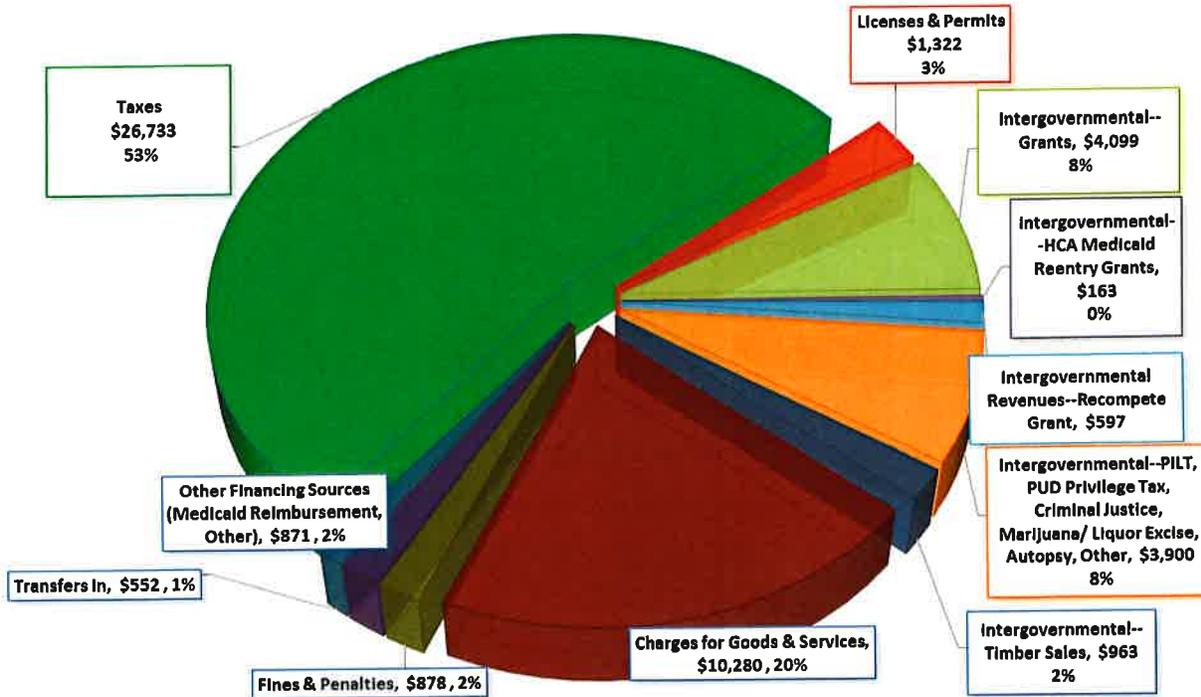
The General Fund's primary sources of revenue in 2026 consist of the following:

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**2026 GENERAL FUND --WHAT ARE OUR FUNDING SOURCES?**  
(\$ IN THOUSANDS)



**TAX REVENUES**

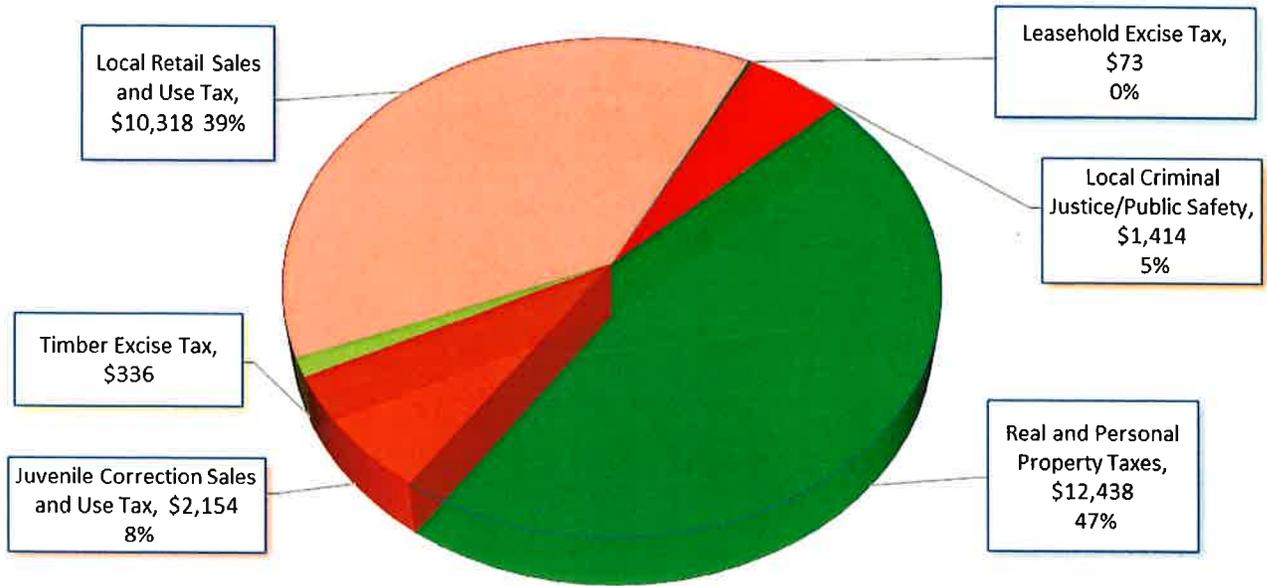
Representing 49% of General Fund total revenues, Tax revenues are projected to total \$26.733 million, an increase of \$612k or 2.3% in 2026. Below is a breakdown of the County's various major tax revenues by source:

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## 2026 GENERAL FUND TAX SOURCES

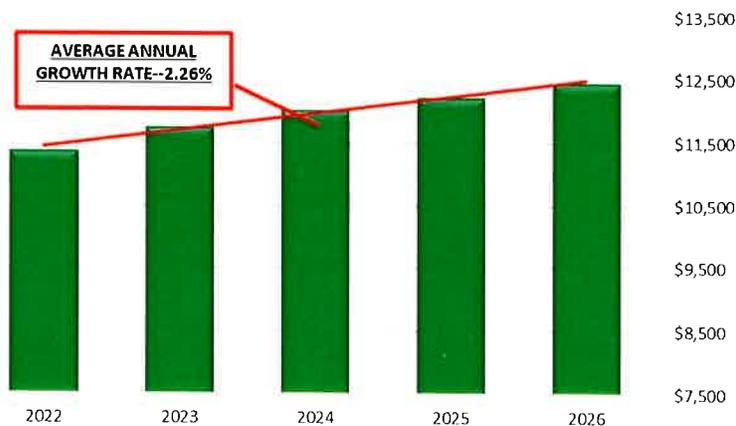
(\$ IN THOUSANDS)



**Property taxes**, representing 47% of total tax revenue and 22.7% of total General Fund revenue, are projected to total \$12.438 million, an increase of \$222k or 1.82% 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. It should be noted that new construction estimates to be used in 2026 levy calculations are very preliminary. Property taxes have trended as follows over the past 4 years:

### REAL AND PERSONAL PROPERTY TAXES

(\$ IN THOUSANDS)



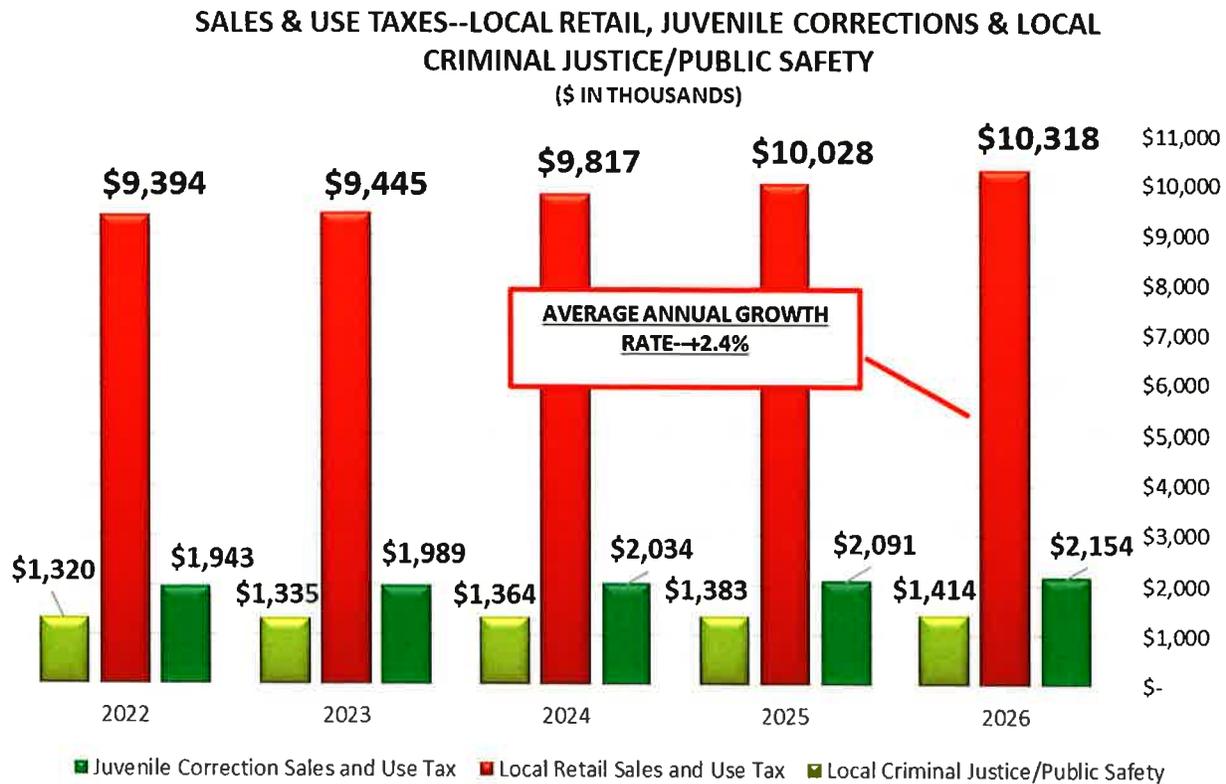
**Sales-driven taxes** including local retail sales & use tax and juvenile correction sales and use taxes—representing 47% of total tax revenue and 23% of total General Fund revenue-- are projected to total \$12.472 million, a combined increase of \$354k or 2.9%, which again reflects our assumption that sales taxes will grow at a combined growth rate of 2.5% based on our June 2025 mid-year forecast. This is consistent with 2.6% minimal overall growth in taxable sales forecasted for 2025 by

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the WA State Economic Forecast Council. While WA State Economic Forecast estimates a 6.8% increase in 2026 taxable retail sales activity, this is largely due to the elimination of sales tax exemptions status of several services that are now subject to sales tax, primarily relating to provision of IT services, sales of custom software, certain advertising services, temporary staffing, security services, and others. Given our County's business make-up, we believe the elimination of these sales tax exemptions will largely benefit tech-heavy regions of the State such as the I-5 corridor and will not have a large effect on our County's sales taxes.

Local Retail, Juvenile Corrections & Local Criminal Justice/Public Safety Sales taxes have trended as follows over the past 4 years:



Local criminal justice and public safety taxes are projected to total \$1.414 million, an increase of 2.3% in 2026 based on MRSC published guidance. Timber excise & leasehold excise taxes are projected to total \$375k, reflecting a minimal 1% increase over 2025 projections based on a two-year trailing trend.

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## LICENSES & PERMITS

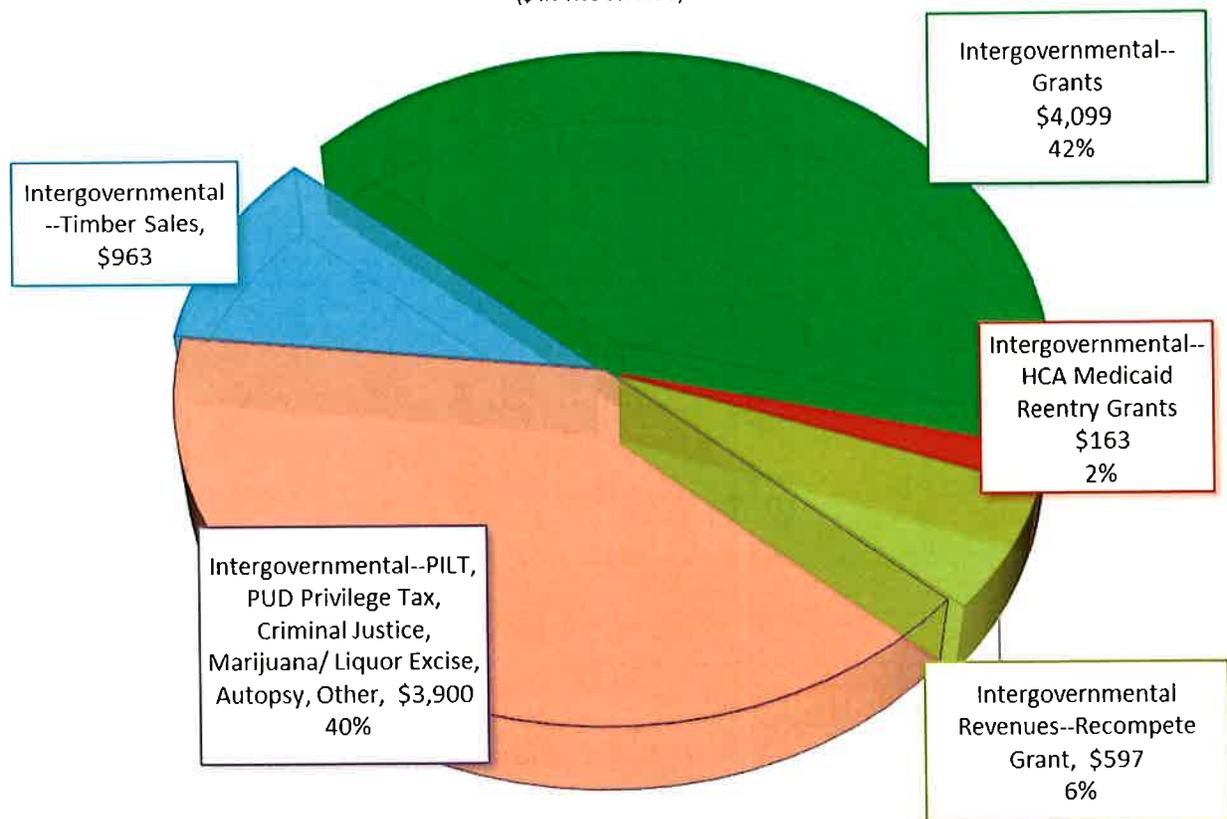
Licenses & Permits are currently projected to total \$1,322k, an increase of +\$25k or +1.9% from 2025 projections mainly due to slightly higher building permit revenues, land use permit fees, and other fees over 2025 projected trend, as offset by a -3% decrease in franchise revenues mainly related to the Astound cable franchise agreement which generated higher revenue in 2025 due to a change in frequency of billing cycle as well as the expected continued erosion of revenues under this agreement.

## INTERGOVERNMENTAL REVENUES

Overall, Intergovernmental Revenues--consisting of federal and state grants, intergovernmental tax and excise payments received by the County, and DNR timber sales --are budgeted to total \$9,721k, representing 18% of total General Fund revenue budget and reflecting a decrease of -\$5,411k or -35.8% in 2026.

Below is a side by side comparison of the sources of intergovernmental revenues for 2026 and 2025.

### 2026 INTERGOVERNMENTAL REVENUE BREAKDOWN BY SOURCE (\$ IN THOUSANDS)

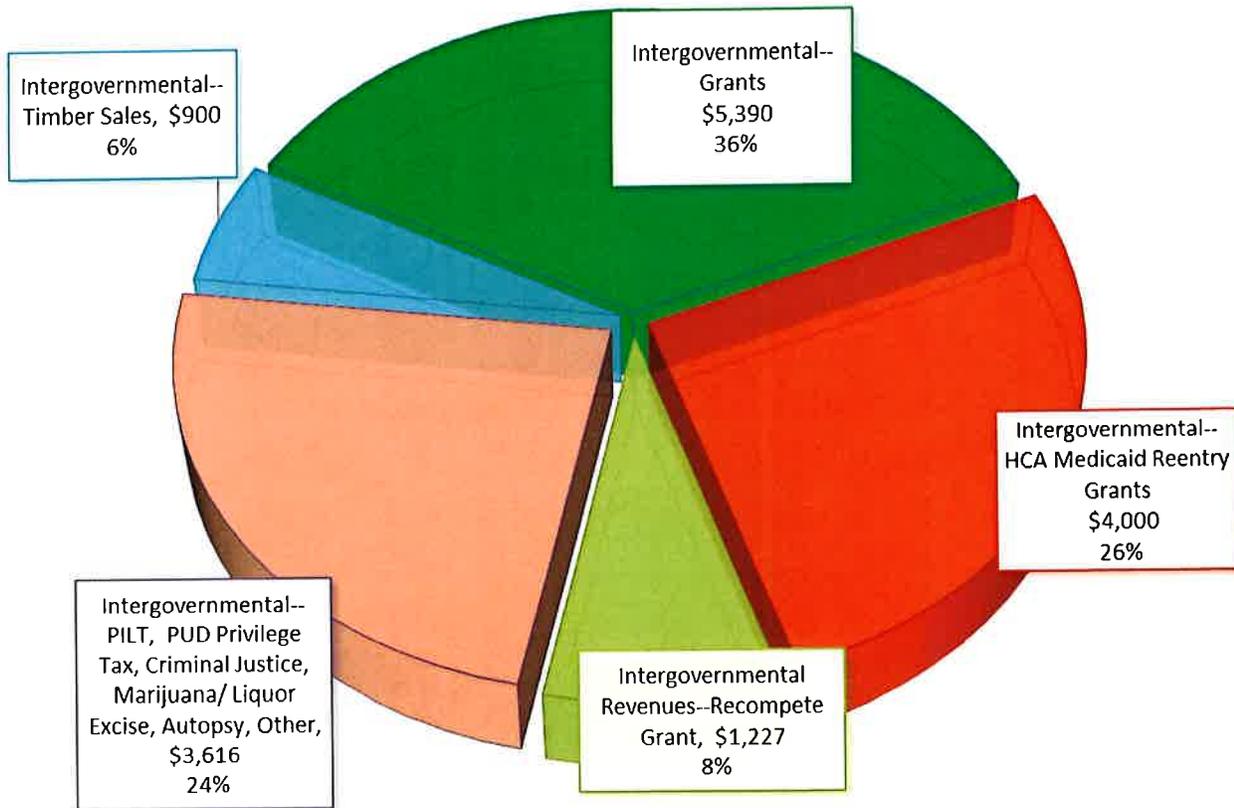


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## 2025 INTERGOVERNMENTAL REVENUE BREAKDOWN BY SOURCE

(\$ IN THOUSANDS)



Intergovernmental grant revenues, excluding HCA Medicaid Reentry, are budgeted to total \$4.099 million, a decrease of -\$1,291k or -24% from 2025 driven principally by grant losses in:

- Sheriff Emergency Services (down -\$238k due to higher Community Wildfire Defense and Homeland Security Preparedness grants in '25);
  - Community Development—Environmental Quality (down \$382k due to lower Growth Management Act, Climate Planning, and Lower Elwha Migration Zone grants);
  - Juvenile Services (down -\$211k, primarily due to a \$123k cut in State funding of Becca, \$36k lower Special Sex Offender Disposition due to lower case counts, and lower HHS HCA funding);
  - Superior Court (down \$94k in AOC Rural Security grant);
  - District Court (down \$184k in AOC Therapeutic Court and Veterans Court grant funding); and
  - Decreases in other areas.
- These decreases are partly offset by grant gains in Sheriff Ops (up \$544k mainly due to WASPC Mental Health Field Response grant increase), and gains in other areas.

Intergovernmental Grants Revenues from the Recompete Program are budgeted to total \$597k in 2026, a decrease of \$630k as this project transitioned from strategy development and standup to ongoing support and monitoring.

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Intergovernmental Grant Revenues from HCA Medicaid Reentry are budgeted to total \$163k in 2026, a \$3.8 million decrease from 2025 due to the prefunding of this grant received in 2025.

Intergovernmental tax revenues including PILT, Criminal Justice, PUD Privilege taxes, Liquor and Marijuana excise taxes, and other taxes are projected to total \$3.9 million, an increase of \$284k or 7.8%, which is primarily due to a \$76k or 8% increase in Criminal Justice, and 2.5-3% increases in PILT, PUD Privilege Tax, and other increases.

Intergovernmental timber sales revenue (consisting of DNR timber sales) is projected to total \$963k in 2026, an increase of \$63k or 7% based on an initial 2026 estimate derived from June DNR 2025 timber harvest report. This estimate will be further adjusted pending receipt of an updated 2026 forecast from DNR.

Below is a summary of how each our recurring sources of Intergovernmental Revenue (excluding ARPA Section 605 and COVID funds) have performed over the past 4 years:

**INTERGOVERNMENTAL REVENUES (2023-2026)**  
(\$ IN THOUSANDS)



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## **CHARGES FOR GOODS & SERVICES**

Charges for Goods & Services are budgeted to total \$10.28 million in 2026, an increase of \$669k or 7% in 2026 driven by the following:

- Treasurer (+\$166k principally due to assumed increase in Criminal Justice Interlocals with Sequim & Port Angeles),
- Sheriff Operations (+\$70k primarily due to higher OPSCAN Radio Tech Services charges, as offset by \$20k in lower Stonegarden law enforcement services funding)
- Sheriff Jail (+\$662k related to assumed increase in Criminal Justice Interlocals with Sequim & Port Angeles, and assumed resumption of CREW work along county roads with presumption that staffing levels will stabilize),
- Sheriff—Clinical Services (+\$274k increase due to higher Mental Health Services Hargrove support (+\$158) and assumed increase in Criminal Justice Interlocals with Sequim & Port Angeles allocated to Jail Clinical Services;
- Indigent Defense-- (+\$120k due to assumed increase in Criminal Justice Interlocals with Sequim & Port Angeles allocated to indigent defense);
- District Court 1—(+ \$85k due to \$108k increase in Hargrove funding received for Mental Health Court, as offset by a \$24k decrease in Probation revenues); and
- Increases in other areas.

These increases are partly offset by declines in:

- Auditors (down \$210k primarily due to lower Election Services revenue than 2025)
- Community Development—Environmental Quality (down \$184k due to Hazard Mitigation Plan interlocal agreements entered into with Forks, Port Angeles & Sequim in 2025)
- IT (down \$51k due to discontinuance of IT additional support services provided to Roads); and
- Superior Court (down \$48k due to discontinuance of CHSW Parents for Parents program);

## **FINES & PENALTIES**

Fines & Penalties are budgeted to total \$878k, a decrease -\$31k or -3.5% over 2025, primarily due to lower fines & penalty revenue budgeted by District Court 1 and Treasurer in comparison to 2025 trend.

## **MISCELLANEOUS REVENUE**

Miscellaneous Revenue is projected to total \$4.538 million in 2026, and consists mainly of interest income (totaling \$2.8 million in 2026), parks camping fees (totaling \$984k in 2026), Environmental Health operating assessments (\$290k), and fairground rental, concession fees and event sponsorships (\$196k). Miscellaneous revenue is budgeted to decline -\$173k or -3.7% in 2026, mainly due to lower investment interest income in 2026 as the Federal Reserve is expected to modestly lower interest rates later this year and next year. Campground and fair revenues are expected to remain relatively flat to our 2025 budget following fee increases implemented in 2025. Fair revenues from vehicle storage rentals and other building/grounds rental fees are projected to drop \$21k to reflect reduced

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capacity as certain fairground buildings are undergoing maintenance. Environmental Health operating assessments are also projected to be flat in 2026.

## **OTHER FINANCING SOURCES**

Other Financing Source revenue is budgeted to total \$871k in 2026, an increase of \$385k. Consisting primarily of Medicaid reimbursement revenue billable by the County's Clinical Shared Services group supporting the healthcare needs of adult and juvenile offenders in the County's carceral facilities under the HCA Medicaid Reentry grant program, this new revenue stream is expected to commence in the 4<sup>th</sup> quarter of 2025, and in 2026 is estimated to total \$870k assuming a full year of Medicaid billing is achieved.

## **TRANSFERS IN**

Transfers In for the General Fund--consisting primarily of the return to the General Fund of previously provided working capital funds by the General Fund to various grant-funded projects-- are budgeted to total \$552k in 2026, consisting of:

- \$500k from the transfer of temporary working capital provided by the General Fund to the Joyce Broadband Infrastructure Capital project which is expected to conclude in the 4<sup>th</sup> quarter of 2026;
- \$10k from the transfer of all interest income earned to-date on American Rescue Plan Act funds from the ARPA fund to the General Fund (vs. \$96k in 2025);
- \$40k recurring transfer to District Court 1 from the Trial Courts Improvement fund; and
- \$2k transfer from Public Works for the employee wellness benefit program which is being transitioned to the General Fund's HR department for 2025.

This represents a \$281 decrease from 2025, which is primarily due to the remaining \$311k of the remaining working capital funding provided by the General Fund for the Lower Dungeness Floodplain project in 2025 and \$378k return of working capital from the Clallam Bay Sekiu Sewer fund following completion of the first phase of the stormwater sewer upgrade project in 2025.

## **EXPENDITURE BUDGET HIGHLIGHTS**

Turning to expenditures, our General Fund Operating Expenditure budget, excluding Transfers Out, currently stands at \$56,402k, an increase of \$1,864k or 3.4% from our 2025 projected expenditures, and an increase of \$310k or 0.5% over the adopted 2025 budget. Transfers Out—consisting of capital outlay funding provided to the Parks & Facilities Capital Projects and IT Capital Projects fund, working capital funding provided to grant-funded projects that are expected to be returned to the General Fund after the project concludes and all grant reimbursements have been received, and transfers provided as a subsidy to certain non-General Fund funds that require supplemental funding to operate (i.e. Health & Human Services Operations, Veteran's Relief, Local Crime Victim Witness fund, Solid Waste Fund, Flood Control, Carlsborg Sewer, etc)—are budgeted to total \$1,326k in 2026, an increase of +\$678k from 2025 projected. After including Transfers Out, Total Expenditures are budgeted to total \$57,728k, an increase of \$2,542k or 4.6% over 2025 projected costs.

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

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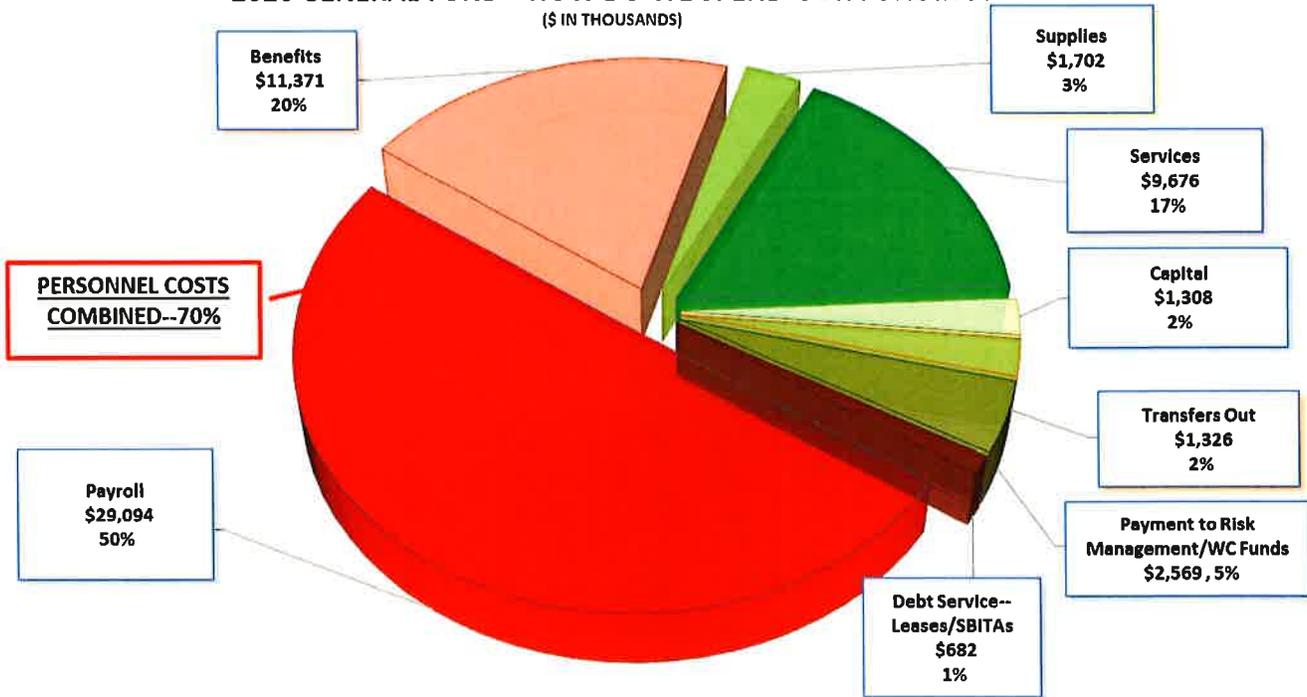
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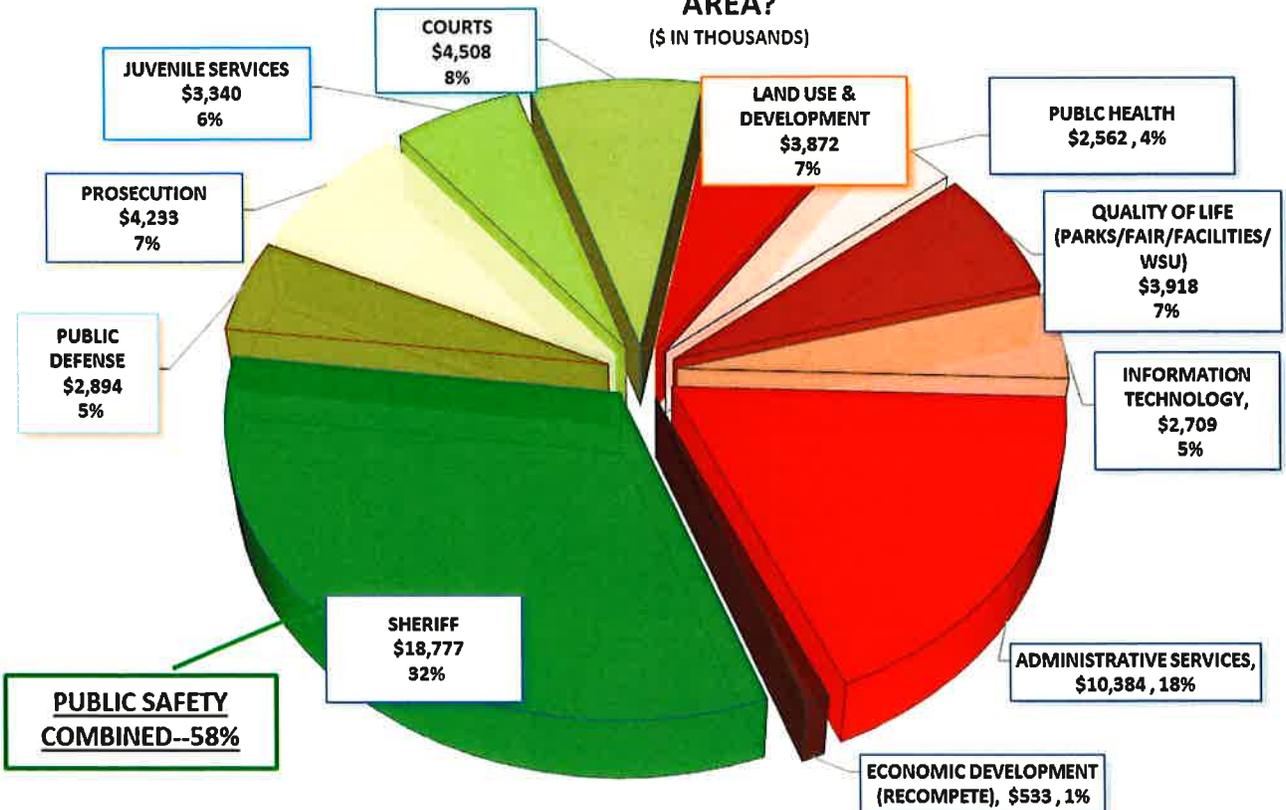
**2026 GENERAL FUND --HOW DO WE SPEND OUR FUNDING?**

(\$ IN THOUSANDS)



**2026 GENERAL FUND --HOW DO WE SPEND OUR FUNDING BY MAJOR AREA?**

(\$ IN THOUSANDS)



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## **SALARIES, WAGES & BENEFITS**

The largest driver of the budgeted expenditure increase over 2025 projected expenditures is in Payroll and Benefits costs. Representing approximately 70% of our total expenditure budget, Payroll and Benefits are budgeted to total \$40,465k, with Payroll up \$2,138k or 7.9% and Benefits up \$243k or 2.2%, respectively, to the 2025 forecast. These increases are partly due to the fact that the budget assumes all budgeted staff positions are filled for the entire year as required under current policy, which was not the case in 2025 and prior years where due to retirements, voluntary terminations, and other delays in filling positions during the year, the County continued this trend of having more open positions during 2025. This is expected to result in a projected budget underspend in payroll and benefits in 2025 of approximately \$1.9 million or 4.8%. Based on analysis of its 3-year and 5-year historical average payroll/benefits budget underspend, the County has underspent its Payroll budget between 7.8% to 8.4%, equal to between \$2.7 million and \$3.2 million of budget underspend. While not reflected in the current 2026 preliminary budget due to policy, we anticipate a level of personnel budget underspend closer to that originally expected in 2025 to occur in 2026, or approximately \$1.2 million or 3%, based on an assumed lower position vacancy rate following conclusion of labor contract negotiations and the non-recurring reimbursement of certain personnel costs by the ARPA fund in 2025. **If you adjust our 2026 personnel cost budget for this anticipated underspend equal to approximately \$1.214 million based on the 2026 payroll budget, our combined personnel costs in reality are expected to increase \$1,167 million or 3.1% in 2026 as compared to projected 2025 costs.**

This 3.1% increase in overall payroll/benefits costs is largely being driven by collective bargaining-related COLAs of 1.5% in January 2026 and 1.5% in July 2026, full year impact of 2025 COLAs provided under labor contracts ratified part way through 2025, pay step increases, pay adjustments, and a \$50-per-month increase in County-paid health premium increases for each collective bargaining unit. These increases were partially offset by savings from DRS pension contribution rate decreases that took effect in July 2025, resulting in pension rate decreases ranging from 25% to 38%. Position cost savings related to certain retirements that occurred in 2025 are also reflected.

It is important to note that the preliminary budget does not yet factor in (1) Compensation changes related to our remaining interest arbitration and limited commission bargaining units which are in various stages of negotiation; and (2) the outcome of the potential creation of a County Coroner position that is currently being considered in the County's Charter Review process. While high level placeholders have been incorporated for purposes of estimating ending 2026 reserves, the impact of these once known will be fully incorporated in a later version of our budget.

### **Changes in Budgeted FTEs**

As outlined in the attached "Budgeted Staff Schedule History", the 2026 Preliminary Budget assumes a full staffing level for the General Fund of 333.42 FTEs, which reflects a 0.33 more FTEs in 2026 as compared to the 2025 budget, based on the following changes:

- Assessor (-.5 FTE)
- NonDepartmental (Finance)—(-2.0 FTE due to transition of payroll Finance back to HR)
- Community Development – Administration (+1.0 FTE)
- Human Resources (+1.93 FTE due to shift of payroll staff from Finance)

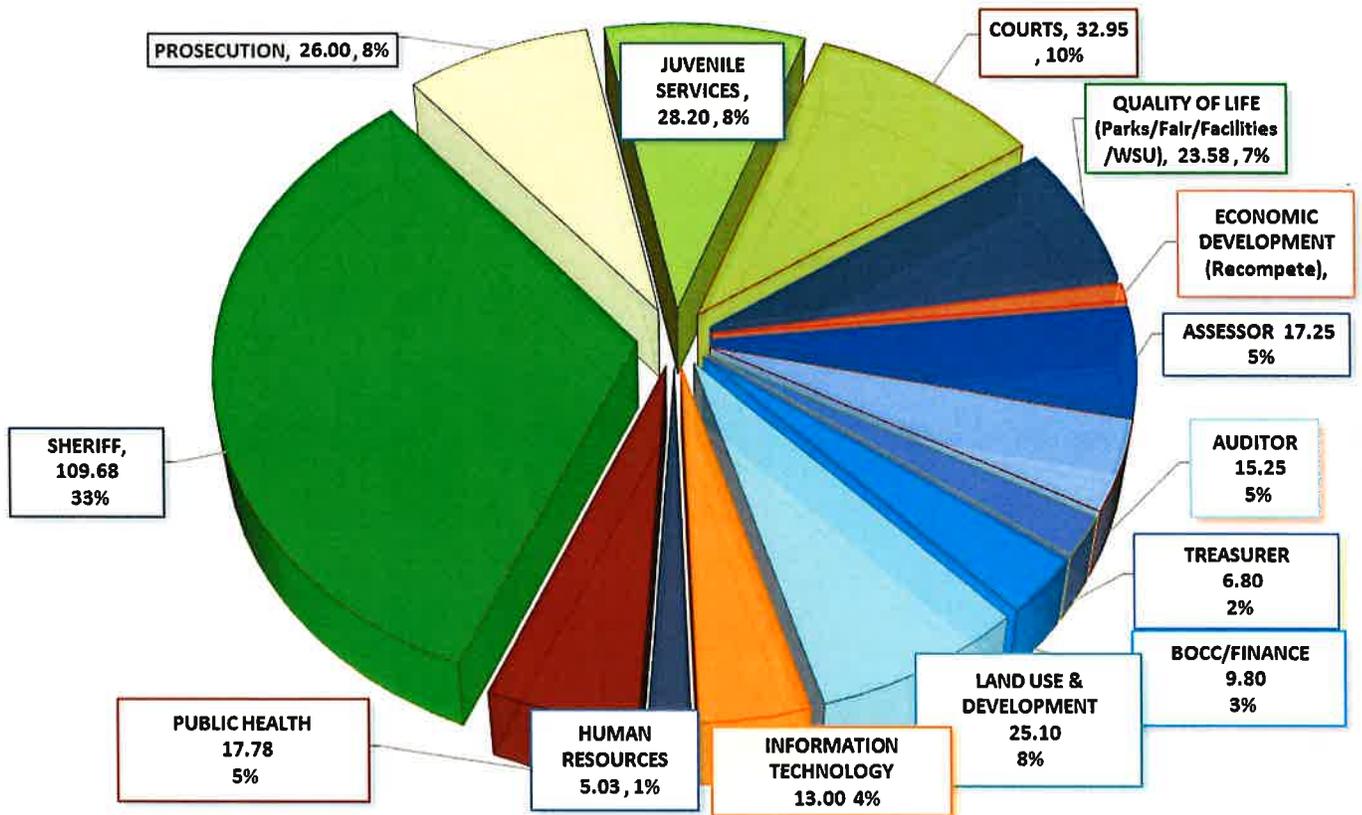
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- Sheriff Clinical Services (+5.83 FTEs due to creation of this shared services group to support healthcare needs within our adult and juvenile carceral facilities, which reflects 1.0 FTE added for the new Clinical Services Director position, 4.83 FTEs transitioned from Juvenile Services to Clinical Services in 2025);
- Juvenile Services (-5.43 FTEs due to transition of positions to the new Sheriff Clinical Services department and elimination of a Fiscal Specialist position);
- Clerk (-.5 FTE)

Below is a breakdown of General Fund FTE Staff by Major Area:

**2026 GENERAL FUND --STAFF FTE COUNT BY MAJOR AREA--  
TOTAL BUDGETED FTES -- 333.42**



**SUPPLIES**

Supplies are budgeted to total \$1.702 million, an increase of \$141k or 9% from 2025 as projected. This increase is mainly reflective of 2025 budget trend savings reflected in the 2025 projection as well as increases in Clinical Services and other areas.

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## SERVICES

Services in 2026 are projected to total \$9.676 million, a decrease of -\$1,125k or -10.4% over 2025 projected services costs, and an increase of +\$82k compared to the 2025 original budget. This decrease is mainly due to the following:

- NonDepartmental—(decrease of -\$611k due to elimination of criminal justice study costs (\$90k), Center for Inclusive Entrepreneurship CDBG grant costs (\$250k), and Energy Audit professional services (\$238k) incurred in '25)
- Community Development—Environmental Quality (-\$256k in lower grant-funded professional services costs tied to the Growth Management Act, Climate Planning, and Lower Elwha Migration grants)
- Recompete--(-\$529k in lower grant-funded professional services and Clallam EDC costs),
- Sheriff Jail—(-\$64k related to building security and lower vehicle rental costs)
- Sheriff Emergency Services—(-\$116k due to lower grant-funded Wildfire Mitigation Plan professional services)
- Sheriff Clinical Services—(-\$60k in lower computer system maintenance and other costs);
- GIS (-\$49k),
- Health & Human Services—Environmental Health (-\$99k);
- Coroner—(-\$80k lower in transport and other costs due to delay in full utilization of coroner vehicle in '25); and
- Superior Court – (-\$81k in lower costs related to discontinuance of Parents for Parents program and one-time IT technology costs in '25)
- These decreases are partially offset by contractual and grant-related increases in various areas, including:
  - Information Technology (+68k)
  - Sheriff Operations (+\$699k, of which \$575k relates to higher WASPC Mental Field Response grant-funded services costs, \$70k in higher Enhanced 911 central dispatch services fees from Pencom); and other areas.

## PAYMENT TO RISK MANAGEMENT/WORKERS COMP FUNDS

The General Fund's share of Risk Management/Workers Compensation funds operating costs is budgeted to total \$2,569k, representing an increase of \$296k or 13% increase over 2025. This increase is being driven mainly by an expected 20%+ rise in WAC risk pool costs in 2026 over 2025 due to rising liability and property insurance costs being seen state-wide, continuing a multi-year trend. We expect to have better visibility on what these WAC risk pool cost increases will be later this year, and will adjust our budget accordingly.

## DEBT SERVICE COSTS

Debt service costs consists of (1) certain office, land, and equipment leases with a lease term greater than one year, and (2) certain multi-year software licensing and online subscription costs now required to be treated as debt following a recent accounting rule change. These costs are budgeted to total \$682k, representing an increase of \$101k or 17% over 2025. This increase is mainly due to the addition of Taser service contracts for the Sheriff's Office and Juvenile Services in 2025, and additional rent costs tied to additional storage space leased by the Sheriff's Office in 2025, and contractual increases.

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## TRANSFERS OUT

Transfers Out consists of funding provided by the General Fund to fund (1) Capital projects in the Parks & Facilities, IT Capital Projects, and certain other capital project funds; (2) Working capital needs of capital projects that rely principally on reimbursement grants for funding; and (3) those County Funds whose own sources of funding are inadequate to fully cover their operating costs. Transfers Out are budgeted to total \$1,326k in 2026, a +\$678k increase from projected 2025. This increase is mainly due to increases in Transfers to:

- Health & Human Services—Operations (+\$500k higher in 2026 due to this fund’s reserves, consisting mainly of opioid settlement funds, needing to be redistributed to a new Opioid Settlement fund to be established in 2026 to insure such funds are appropriately used for eligible activities, leaving this fund with inadequate reserves to operate. This fund is heavily reliant on grant funding from various sources, many of which limit the amount of indirect costs allocated to the fund that are eligible for reimbursement under these grants. Because the amount of indirects charged to this fund by the General Fund often exceed the amount these grants will cover, this creates a situation where this fund under its current cost structure will require General Fund subsidy support to cover that portion of indirect costs not covered by the grants levels as well as working capital support under its grant reimbursement funding structure (additional discussions regarding these needs will occur during the budget process);
- Broadband Infrastructure Capital Project-- +\$204k in temporary working capital to be provided by the General Fund to the Joyce Broadband project which is expected to conclude in the 4<sup>th</sup> quarter of 2026, at which time this funding along with working capital to be provided in 2025 will be returned to the General Fund after all grant reimbursements are received; and
- Solid Waste-- +\$45k in subsidy funding needed to support ongoing monitoring costs of the former Lake Creek landfill site and other unfunded costs;
- These increases were partially offset by decreases in:
  - Parks & Facilities Capital Projects fund (-\$57k lower due to only previously approved and mandatory recurring capital projects being reflected in the preliminary budget, and the park master plan project being funded in 2025);
  - Carlsorg Sewer fund (-\$17k lower)

Transfers Out from the General Fund included in the 2026 Preliminary Budget include the following:

• Health & Human Services Operations	\$500,000
• Capital Projects—Parks & Facilities	209,368
• Broadband Infrastructure Capital Project	203,612
• Capital Projects—IT	6,784
• Local Crime Victim Comp	43,146
• Veterans Relief	67,500
• Public Works--Flood Control	70,485
• Public Works—Carlsborg Sewer	51,791
• Public Works—Solid Waste	45,000
• HHS Chemical Dependency/Mental Health	6,037
• Treasurer Land Assessment	15,450
• REET 1 (from Juvenile Services)	107,000

**TOTAL TRANSFERS OUT—2026** **\$ 1,326,173**

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## PRELIMINARY DRAFT--2026 CAPITAL PLAN

Attached for review is the County's Preliminary 2026 Capital Plan, comprised of requests in the 'Previously Approved Carryover projects' and 'Mandatory/Recurring/Regular Replacement' Key Strategic Capital Project Initiative Categories. These requests are based on the 5 Year Capital Plan previously discussed with the BOCC last year and total \$1,307,662, which has been included as a high-level placeholder in the attached 2026 Preliminary Budget—4 Year Comparison.

In addition, a 2026 Capital Plan list of department requests that are new for 2026 is included as the last item of this budget packet, which will be discussed during upcoming department budget meetings this fall. The Capital Plan requests have been updated and prioritized by the various departments earlier this year based on changing needs and reprioritizing of requests.

<b>2026 General Fund Requests—Previously Approved/Mandatory/Recurring</b>	<b>\$1,307,662</b>
<b>2026 General Fund New Capital Requests</b>	<b>\$408,973</b>
<b>2026 Other Fund Requests—excluding General Fund</b>	<b>\$57,528,052</b>
<b>Total 2026 Capital Requests</b>	<b>\$59,244,687</b>

### HOW THE PRELIMINARY CAPITAL PLAN IS ORGANIZED

- **2026 Proposed Preliminary Capital Outlay Budget--By Fund**
  - **Previously Approved Carry Over Capital Outlays--** this represents the 2025 capital projects approved by the BOCC as part of the 2025 budget that were not completed in 2025 that will be carried forward and completed in 2026 or represent multi-year projects that will continue into 2026.
    - **Total General Fund Requests** **\$998,175**
    - **Total Other Fund Requests—excluding General Fund** **\$812,000**
  - **Mandatory/Recurring/Regular Replacement--**at the request of the BOCC, this category includes capital requests relating to departments' ongoing, recurring operating needs, scheduled regular replacement of assets (Copier replacements for example), and needed significant capital improvement/maintenance that can no longer be deferred, or other items that are of a mandatory nature. While still important to not lose sight of these "mandatory/recurring" items as their costs are generally funded through general fund and REET-supported funds and thus reduce the amount of funding available for the other key strategic initiatives, their grouping allows for better isolation and focus on the more strategic capital needs of the county.
    - **Total General Fund Requests:** **\$309,487**
    - **Total Other Fund Requests—excluding General Fund** **\$255,000**

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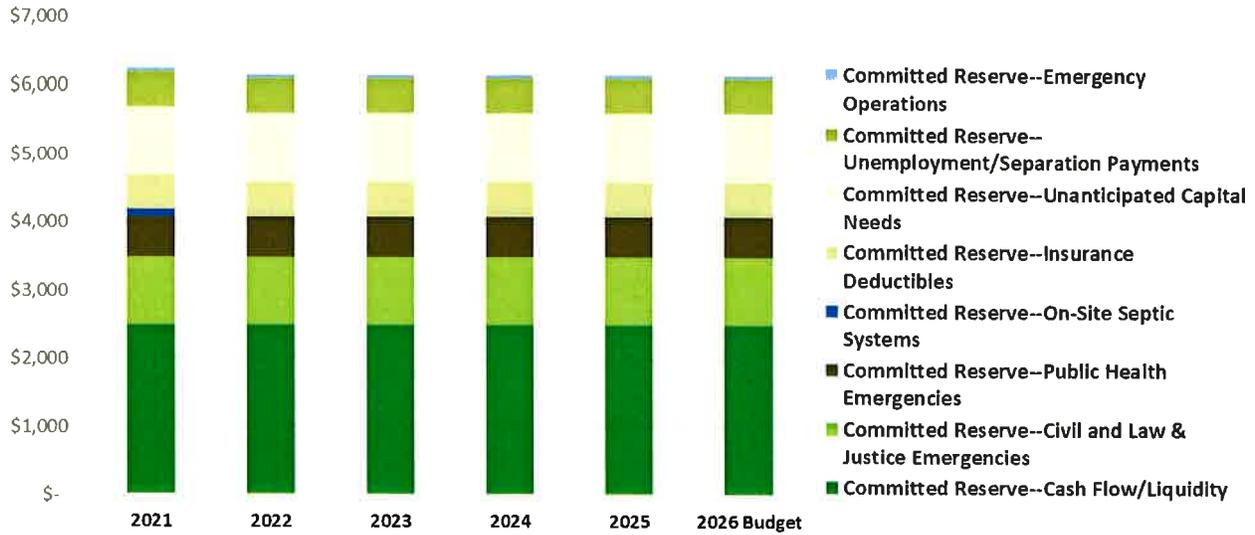
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## GENERAL FUND RESERVES -- COMMITTED BUDGETARY RESERVES BY TYPE

**2021-2026**  
(\$ IN THOUSANDS)



The County's General Fund also contains certain restricted reserves (meaning the monies are limited to varying degrees on what they can be spent on), including:

- ARPA 605 funds (received \$2.5 million in 2022/2023 that may be used for any government services purpose other than lobbying—this funding was fully utilized in 2025 following adoption of a resolution);
- HCA Medicaid Reentry funding (Clinical Services—new for 2024-2026);
- Other advances received from grants (mostly COVID-related that were all fully spent by 2023); and
- Historical Preservation funds

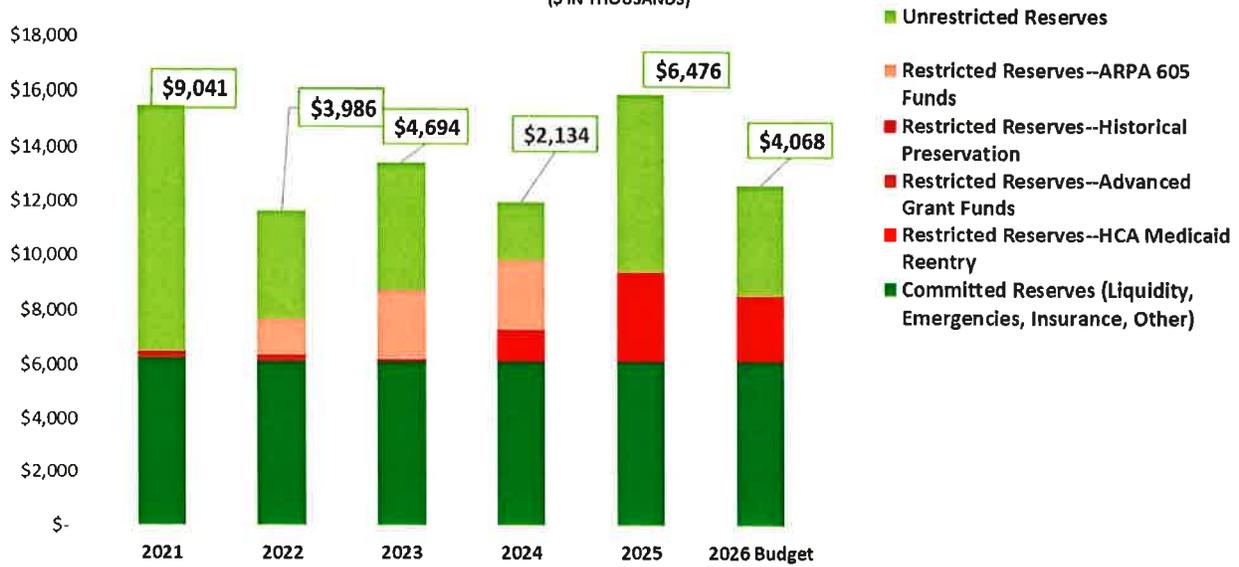
After layering in these restricted reserves along with our committed budgetary reserves outlined above, the historical breakdown of the General Fund's total reserves, including its level of unrestricted reserves, from 2021 to 2026 is as follows:

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### GENERAL FUND RESERVES TREND -- BY TYPE

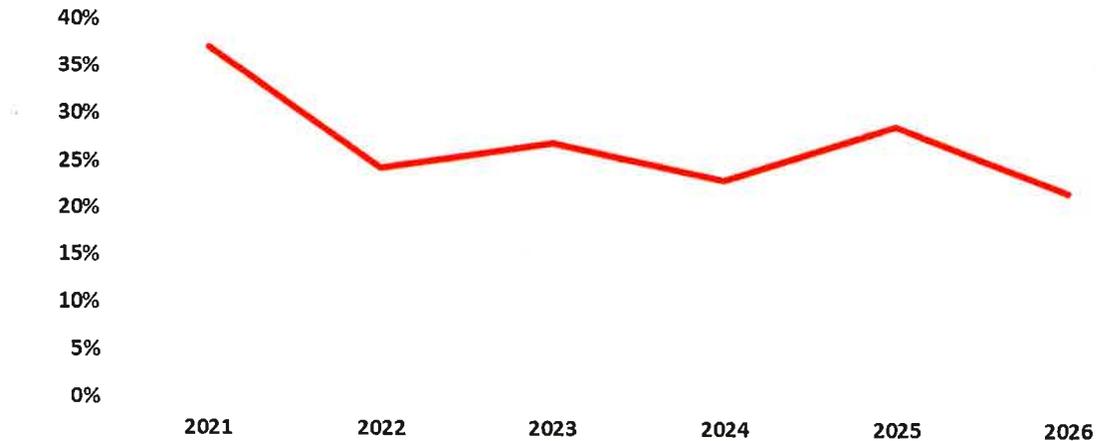
2021-2026  
(\$ IN THOUSANDS)



The General Fund Reserves shown as a % of Total Expenditures from 2021 to 2026 is provided below:

### GENERAL FUND RESERVES AS A % OF TOTAL EXPENDITURES

2021-2026  
(\$ IN THOUSANDS)



These charts serve to highlight the changes seen both in unrestricted reserves and overall reserves that has occurred historically in the General Fund, and the impact the current 2026 Preliminary Budget as currently forecasted would have. These historical changes in reserves have been driven by several factors including:

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- Operating revenues growing at a rate less than operating expenditures (as outlined more in the next section);
- Influx of Large Grant Advances, including the \$2.5 million of ARPA 605 funds received in 2022 & 2023 (which were utilized in 2025), and the \$4.225 million related to the HCA Medicaid Reentry grants received in calendar years 2024 and 2025 which will be used to support capacity building and IT and facility infrastructure improvements to our adult and juvenile carceral facilities in 2025, 2026 and 2027;
- Transfers to various non-General Fund funds requiring subsidized support for their operations (including Clallam Bay Sekiu Sewer, Carlsborg Sewer, Solid Waste, Flood Control, Bullman Beach, Veteran’s Relief, Health & Human Services Operations, Local Crime Victim Compensation fund, Law Library, and Treasurer-Land Assessment funds);
- Working capital and local match transfers made by the General Fund to support various reimbursement grant-funded projects (including Lower Dungeness Floodplain, Dungeness Off Channel Reservoir, Broadband, and the Joint Public Safety Facility); and
- Capital project outlays undertaken by Parks, Fair & Facilities and IT through their respective capital project funds.

As we move forward in the 2026 budget process, County management will be focused on identifying and proposing revenue and cost adjustments that will help reduce the budgeted operating deficit to maintain a sustainable and adequate level of reserves.

### **BUDGET OUTSTANDING ISSUES**

Please also note that there are several outstanding issues that have yet to be factored into the General Fund budget in its current preliminary state that to the extent approved would increase the amount of reserves needed to fund (absent incorporation of additional revenue and cost savings measures identified during our budget process), including:

- Inclusion of Additional Capital Requests--pending finalization of what capital outlay expenditures the Board approves to be funded through the General Fund in 2026, this will need to be layered into the General Fund budget as well as those other capital reserve funds to be utilized. We expect to have the 2026 portion of 5 Year Capital Draft Plan presented to the BOCC in October and have incorporated a preliminary list of any additional 2026 capital outlays into the Administrator Recommended Budget.
- While a high level placeholder is reflected in the Preliminary Budget presented, the formal integration of additional Payroll/Benefit costs resulting from conclusion of labor negotiations with our interest arbitration and limited commission bargaining units into the budget will occur as contracts are ratified.
- Other Key Contract Negotiations—the County is in various stages of negotiations for several key contract renewals, including the criminal justice interlocal agreements with the cities of Port Angeles and Sequim, the Clallam Public Defender indigent defense services contract, and

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others. While placeholder assumptions have been incorporated into the Preliminary budget for these contracts, the final outcome of these negotiations is currently unknown.

- Department Requests for 2026—as outlined in the attached “2026 Department Requests Over the Base Budget”, **a total of \$1,962,218 of additional General Fund spending requests have been submitted, of which \$363,451 are one-time requests and \$1,598,767 are ongoing funding requests.** Of these requests, \$276,043 would be supported by grant or other new funding. These requests include:
  - Auditor—requesting \$116k of ongoing funding related to addition of a Lead Accountant position, reclassification of accounting staff position, and reallocation of a staff position from the Document Preservation fund to the General Fund Auditor’s budget.
  - Treasurer—requesting \$5k of recurring funding relating to reinstatement of extra help to support cyclical short staffing issues.
  - BOCC Non-Departmental—requesting \$10k of recurring additional funding for higher postage costs expected in 2026 and \$75k in one-time funding for indigent defense expert services costs relating to the Bauer re-trial.
  - Hearing Examiner—one time funding of \$22k for legal services to support clearing of the remaining prior year back-log
  - Community Development—Environmental Quality—requesting \$53k in one-time temporary funding to support the 50% of the Streamkeepers Coordinator position previously funded through grants until additional grant funding can be secured.
  - Community Development—Permit Center—requesting \$4k of ongoing funding for increasing the compensation range for the Building Official position due to difficulties in refilling this position at the current range of 68.
  - IT—requesting \$99k of ongoing spending and \$5.5k of one-time spending to for Info-Tech IT research and advisory services, migration from the current Avaya phone system to Microsoft Teams phone system, and to fund higher software license increases and shortfall in cutting County’s usage of Zoom.
  - Human Resources—requesting \$293k of ongoing funding to support higher costs experiencing in 2025 relating to LEOFF 1 retiree medical care costs that are expected to increase for the six remaining LEOFF 1 retirees (\$243k), and for additional legal services funding to support ongoing bargaining unity negotiations, and complex labor and employment law matters (\$50k).
  - Health and Human Services—Administration—requesting \$4.4k of ongoing funding for HHS finance overtime incurred relating to financial tracking and reporting demands of Foundational Public Health.

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- Sheriff's Office—requesting \$34k of ongoing funding to support reclassification of one Sergeant position in Patrol and one in the Jail to the new rank of Lieutenant (\$20k), implementation of new scheduler software, additional overtime in Clinical Services (\$7.5k), and a car allowance for the Chief Civil Deputy position (\$4k).
- Prosecuting Attorney—requesting \$614k of ongoing funding and \$10k to support the hiring of an additional Civil DPA position and a Civil Legal Assistant 1 position to oversee the ITA caseload (totaling \$255k, which is anticipated to be grant-funded through the Kitsap Behavioral Health Administrative Service Organization), a Civil Paralegal position to support the Civil DPAs (\$116k), and the reinstatement of a Criminal DPA position (\$159k) and a Criminal Legal Assistant position (\$84k) eliminated as part of the 2025 budget process.
- Coroner (District Court 1)—recurring funding of \$70k request to increase funding for coroner services based on continued higher trending costs experienced in 2025.
- Juvenile Services—requesting \$181k of recurring funds and \$100k of one-time requests. Ongoing costs consist of the reinstatement of a Fiscal/Administrative position eliminated following the transition of juvenile behavioral health and substance abuse programs (True-Star, etc) to the new Clinical Services department (\$88k), \$84k in increased professional services to cover/fund the REET1 transfer of a portion of the juvenile services sales tax for future juvenile facility maintenance and repair that was to be covered through other cost reductions identified by the department, and \$8.4k for cell 9 cell phones for staff. One-time requests include funding for restraint safety equipment (\$2.5k), inmate screening equipment (Metrasens), and overtime to covered unfilled JCO positions (\$65k).
- Superior Court—requesting \$1.2k of recurring funds for the costs of the REACH software program needed for the functionality of the new digital court calendar display, and \$24k of one-time funding to fund the acquisition of four JAVS Polycom video conferencing units in each courtroom to replace units that will no longer be supported after 2025, which would impair the Court's ability to hold remote appearances.
- Parks & Facilities—requesting \$67k of recurring funding and \$5k of one-time costs to support rising supplies, merchant account fees (\$35k), waste disposal (\$8k), physical and virtual parks signage/web maps (\$6k), and to support increased advertising for the implementation of new parks web content tool (\$10k), with one time requests involving adding a 36" propane fire pit at Camp David Jr (\$4.5k) and additional uniform vests for county parks personnel.
- Fair—requesting \$53k of ongoing funding for increases in advertising through implementation of a fairgrounds web content management tool, higher painting and custodial supplies (\$6k), signage (\$3k), fire and police protection fee increases by PAFD and PAPD (\$3k), small stage entertainment fees (\$10k), fees paid to superintendents and judges (\$6k), trophies/ribbons/premiums (\$6k) and waste disposal increases.

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