

CLALLAM COUNTY
GENERAL FUND PROPOSED FINAL 2026 BUDGET
BREAKDOWN OF PROPOSED FINAL 2026 BUDGET DEFICIT VS 2025 PROJECTED SURPLUS/(DEFICIT)
\$ IN 000s

NOTES

TOTAL GENERAL FUND OPERATING SURPLUS/(DEFICIT)--2026 PROPOSED FINAL BUDGET	-1,394
TOTAL FORECASTED GENERAL FUND OPERATING SURPLUS/(DEFICIT)--2025 PROJECTED	4,026
NET CHANGE IN OPERATING SURPLUS/(DEFICIT)--2026 ADMINISTRATOR RECOMMENDED BUDGET VS 2025 PROJECTED	-5,420

MAJOR COMPONENTS OF CHANGE IN OPERATING SURPLUS/(DEFICIT) FROM 2025 TO 2026:

INCREASE IN TAX REVENUE (PROPERTY TAXES, SALES & USE, JUVENILE SERVICES SALES & USE, ETC)	576	Property taxes, representing 46% of total tax revenue and 22.3% of total General Fund revenue, are projected to total \$12.456 million, an increase of \$240k or 1.97% as we assumed the County takes its allowed for 1% annual levy growth limit, as adjusted for new construction assumed captured, as allowed for under statute. Sales and use taxes assume 2.5% growth. Local criminal justice and public safety taxes are projected to total \$1.433 million, an increase of 1.7% in 2026 based on MRSC published guidance. Timber excise & leasehold excise taxes are projected to total \$336k, reflecting a minimal 1% increase over 2025 projections based on a two-year trailing trend.
INCREASE IN LICENSES & PERMITS	54	Increase of +\$54k or +4.1% from 2025 projections mainly due to a planned 2.7% CPI rate increase in Community Development's building permit and land use permit fees, and higher other fees in other areas 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
DECLINE IN INTERGOVERNMENTAL REVENUE--GRANTS	-1,314	Driven principally by grant losses in: <ul style="list-style-type: none"> • Sheriff Emergency Services (down -\$238k due to higher Community Wildfire Defense and Homeland Security Preparedness grants in '25); • Community Development—Environmental Quality (down -\$490k due to lower Growth Management Act, Climate Planning, McDonald Creek Fish Barrier, Lower Elwha Migration Zone, and various MRC grants); • Juvenile Services (down -\$261k, 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 \$55k in AOC Rural Security grant); • District Court (down \$184k in AOC Therapeutic Court and Veterans Court grant funding); and • Decreases in BOCC--Non Departmental (-\$489k in CBDG CIE and DOC/WSAC Energy Audit grants); Health & Human Services Environmental Health (-\$27k), Indigent Defense (-\$13k), and in other areas. • These decreases are partly offset by grant gains in Sheriff Ops (up \$553k mainly due to WASPC Mental Health Field Response grant increase), and gains in other areas.
DECLINE IN INTERGOVERNMENTAL REVENUE--HCA Medicaid Reentry Grants	-3,888	Budgeted to total \$113k in 2026, a \$3.9 million decrease from 2025 due to the prefunding of this grant received in 2025
DECLINE IN INTERGOVERNMENTAL REVENUE--Recompete Grant	-630	Budgeted to total \$597k in 2026, a decrease of \$630k as this project transitioned from strategy development and standup to ongoing support and monitoring.
INCREASE IN INTERGOVERNMENTAL REVENUE--PILT, PUD Privilege Tax, Criminal Justice, Marijuana/ Liquor Excise, Autopsy, HCA Medicaid Reentry Demonstration, Other	212	Projected to total \$3.9 million, an increase of \$212k or 5.7%, 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
INCREASE IN INTERGOVERNMENTAL--Timber Revenue	63	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

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INCREASE IN GOODS & SERVICES REVENUE	2,409	<ul style="list-style-type: none"> • 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 (+\$1.1 million 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, as offset by reduced revenue under other governmental agency contracts based on trend), • Sheriff—Clinical Services (+\$392k increase due to higher Mental Health Services Hargrove support (+\$158k) and assumed increase in Criminal Justice Interlocals with Sequim & Port Angeles allocated to Jail Clinical Services; • Indigent Defense-- (+\$320k due to assumed increase in Criminal Justice Interlocals with Sequim & Port Angeles allocated to indigent defense); • District Court 1—(+\$523k due to \$108k increase in Hargrove funding received for Mental Health Court, revenues from the criminal justice interlocals with Sequim & Port Angeles based on cost services provided, as offset by a \$24k decrease in Probation revenues); • Prosecuting Attorney--+\$533k due to services revenues now being allocated from the Criminal Justice Interlocals with Sequim & Port Angeles to the PAO based on cost of service provided, and higher services revenues from Civil Professional Services provided to Public Works and HR Risk Management; • Community Development--+\$13k in building plan check revenues due to a planned 2.7% CPI increase <p>These increases are partly offset by declines in:</p> <ul style="list-style-type: none"> • Auditors (down -\$150k primarily due to lower Election Services), Community Development—Environmental Quality (down \$184k due to Hazard Mitigation Plan interlocal agreements entered in 2025), IT (down \$51k due to discontinuance of IT additional services provided to Roads); and Superior Court (down \$45k due to discontinuance of CHSW Parents for Parents program, as offset by \$30k in additional Hargrove funds provided for a Superior Court Judge and Court Commissioner’s time spent in support of the therapeutic courts).
DECREASE IN FINES & PENALTIES REVENUE	-74	Primarily due to lower fines & delinquent tax penalty revenue budgeted by District Court 1 and Treasurer in comparison to 2025 trend.
DECREASE IN MISC REVENUE	-241	Consists mainly of interest income (totaling \$2.76 million in 2026), parks camping fees (totaling \$944k in 2026), Environmental Health operating assessments (\$290k), and fairground rental, concession fees and event sponsorships (\$202k). Miscellaneous revenue is budgeted to decline -\$256k or -5.4% in 2026, mainly due to lower investment interest income in 2026 as the Federal Reserve has recently resumed reducing interest rates in September that is expected to continue later this year and next year. Campground and fair revenues are expected to remain relatively flat to slightly down (-\$20k) to our 2025 forecast 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 capacity as certain fairground buildings are undergoing maintenance. Environmental Health operating assessments are also projected to increase \$7k in 2026 due to a planned CPI increase.
INCREASE IN OTHER FINANCING SOURCES	872	Increase of \$872k due to higher 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 late in the 4th quarter of 2025, and in 2026 is estimated to total \$870k assuming a full year of Medicaid billing is achieved. The 2026 budget also reflects the sale of \$200k of surplus county property held.

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INCREASE IN TRANSFERS IN	270	<p>Consists of:</p> <ul style="list-style-type: none"> •\$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 4th quarter of 2026; •\$531k from the transfer of previously provided construction-related working capital from the Dungeness Off Channel Reservoir capital project fund as the main construction phase of this project is likely delayed until 2027/2028 at the earliest pending securing sufficient grant funding to complete the project; •\$18k of funding from the Carlsborg Water Mitigation fund as the fund has no foreseeable costs; •\$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. <p>This represents a \$270k increase 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</p>
INCREASE IN PAYROLL	-2,600	<p>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 \$0.816 million of historic darktime budget underspend (which is projected to be lower in '26), our combined personnel costs in reality are expected to increase \$2.633 million or 7.1% in 2026 as compared to projected 2025 costs. This 7.1% 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 in the 2nd half of 2025, pay step increases, pay adjustments. Position cost savings related to certain retirements that occurred in 2025 are also reflected. Partially offsetting these savings is the addition of \$189k in funding to support rising costs of the LEOFF 1 retiree medical costs.</p>
INCREASE IN BENEFITS	-849	<p>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 in the 2nd half of 2025, pay step increases, pay adjustments, and position cost savings related to certain retirements that occurred in 2025 are also reflected. Partially offsetting these savings is the addition of \$189k in funding to support rising costs of the LEOFF 1 retiree medical costs, 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%, leading to a \$698k decrease in budgeted DRS contribution costs paid by the County when comparing the 2026 budget to the 2025 adopted budget.</p>

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INCREASE IN TRANSFERS OUT	-637	(1) Health & Human Services—Operations (+\$737k higher in 2026 due to this fund's reserves, consisting mainly of opioid settlement funds, needing to be transitioned 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; (2) 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 4th 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; (3) Solid Waste-- +\$45k in subsidy funding needed to support ongoing monitoring costs of the former Lake Creek landfill site and other unfunded costs; (4) Parks & Facilities Capital Projects Fund (+\$13k higher reflecting previously approved and mandatory recurring capital projects, the addition of \$75k of additional capital requests (see capital plan discussion that follows for more detail), and the park master plan project being funded in 2025); (5) IT Capital Projects Fund (+\$33k higher due to addition of \$26k of capital outlays for completion of the BOCC network room and UPS/Battery Replacement costs); (6) Local Crime Victim Compensation fund (+\$23k higher due to additional victim and witness support requested for the upcoming murder trial/retrials in 2026). Offset by Transfer decreases in Carlsorg Sewer fund (-\$46k lower)
INCREASE IN SUPPLIES	-100	Increase is mainly reflective of 2025 budget trend savings reflected in the 2025 projection increases in Clinical Services and other areas, the addition of \$44k of department requests, as offset by \$46k of supplies cost reductions identified during review of departments' Preliminary Budgets.
DECREASE IN SERVICES	998	(1) NonDepartmental—(decrease of -\$671k due to elimination of criminal justice study costs (\$90k), CIE CDBG grant costs (\$203k), Conservation District and North Olympic Library support (\$61k), and Energy Audit professional services (\$238k) incurred in '25), as offset by \$25k in higher postage and building security costs; (2) Community Development—Environmental Quality (-\$645k in lower grant-funded professional services costs tied to the Growth Management Act, Climate Planning, and other grants); (3) Recompete--(-\$529k in lower grant-funded professional services); (4) Sheriff Jail—(-\$64k related to building security and lower vehicle rental costs); (5) Sheriff Emergency Services—(-\$116k due to lower grant-funded Wildfire Mitigation Plan professional services); (6) Sheriff Clinical Services—(-\$57k in lower computer system maintenance); (7) GIS (-\$54k), (8) Health & Human Services—Environmental Health (-\$91k due to lower grant-related professional services and vehicle rental costs); (9) Coroner—(-\$20k in lower in transport and storage costs, as offset by higher coroner autopsy services costs); (10) Indirects (increase of \$145k in General Fund shared services costs allocated to other funds); and (11) Superior Court -- (-\$81k in lower costs related to discontinuance of Parents for Parents program); As offset by increases in : (a) Information Technology (+\$291k, of which \$193k relates to the reclassification of Microsoft Office 365 license costs and department request for \$30k of consulting professional services); (b) Sheriff Operations (+\$619k higher WASPC Mental Field Response grant-funded services costs), as offset by -\$59k decrease in ER&R vehicle rental costs from the 2025 budget; (c) Indigent Defense (+\$338k over 2025 projected costs, due to one-time expert services and adult felony costs of \$200k anticipated for the two murder trial/retrials in 2026, \$84k increase in conflict attorney and juvenile truancy costs, and increases under the Clallam Public Defender contract), and (d) Juvenile Services (+\$87k due to shifting of placeholder cost reductions to personnel costs.
INCREASE IN PAYMENT TO RISK MANAGEMENT/WORKERS COMP FUNDS	-57	Increase is being driven mainly by an expected 28%+ rise in WAC risk pool liability insurance costs in 2026 over 2025 as partly offset by a -23% decrease in property insurance costs due to rising liability property insurance costs being seen state-wide, continuing a multi-year trend, as offset by a one-time realignment of Risk Management reserve levels resulting in a reduction of \$192.5k in costs allocated to the General Fund.
INCREASE IN CAPITAL OUTLAYS	-539	Increases primarily related to HCA Medicaid funded IT and facility infrastructure increases; and \$45k funding for Superior Court requests for bullet proofing of remaining courtroom judicial benches and JAVs PolyCom equipment replacement.

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DEBT SERVICE--LEASES/SBITAs	55	This decrease is mainly due to the re-classification of the IT Microsoft Office 365 license of \$275k from debt service to services costs as the software license transitioned from being a multi-year license to a single year license. This decrease was offset by the addition of a new accounting ERP system license cost, 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.
REMAINING PROJECTED OPERATING DEFICIT--EXCLUDING CAPITAL TRANSFERS/PROPOSED DEPT REQUESTS	0	
TOTAL CHANGE IN GENERAL FUND OPERATING DEFICIT--DRAFT 2026 BUDGET VS 2025 PROJECTED	-5,420	
<u>PROJECTED GENERAL FUND OPERATING DEFICIT--ADJUSTED FOR AVG COMP UNDERSPEND</u>		
TOTAL GENERAL FUND OPERATING SURPLUS/(DEFICIT)--2026 DRAFT BUDGET	-1,394	
LESS: HISTORICAL AVERAGE BUDGET UNDERSPEND--SALARY AND BENEFITS	816	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, together with a delay in ratifying one of our labor agreements included in the 2025 budget, is expected to result in a projected budget underspend in payroll and benefits in 2025 of approximately \$2.5 million or 6%. 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 Administrator Recommended budget due to policy, we anticipate a level of personnel budget underspend closer to \$.816 million or 2%, based on an assumed lower position vacancy rate following conclusion of labor contract negotiations.
PROJECTED GENERAL FUND OPERATING DEFICIT--ADJUSTED FOR AVG COMP UNDERSPEND	-578	
PLUS: ESTIMATED COSTS NOT YET FACTORED INTO THE PROPOSED BUDGET--consisting of estimated costs related to open labor contracts still under negotiations.	-633	While not factored into the Proposed Final budget due to timing/resolution of these issues, we believe it is important to include an estimated placeholder for such additional anticipated costs.
PROJECTED GENERAL FUND OPERATING DEFICIT	-1,211	
<u>PROJECTED 2026 GENERAL FUND BALANCE--BASED ON DRAFT BUDGET AS ADJUSTED</u>		
PROJECTED FUND BALANCE--BEGINNING	15,989	
PROJECTED 2026 GENERAL FUND OPERATING DEFICIT	-1,211	
PROJECTED FUND BALANCE--ENDING	14,778	