

**Clallam County
Administrator
Recommended Budget
Overview for 2026**



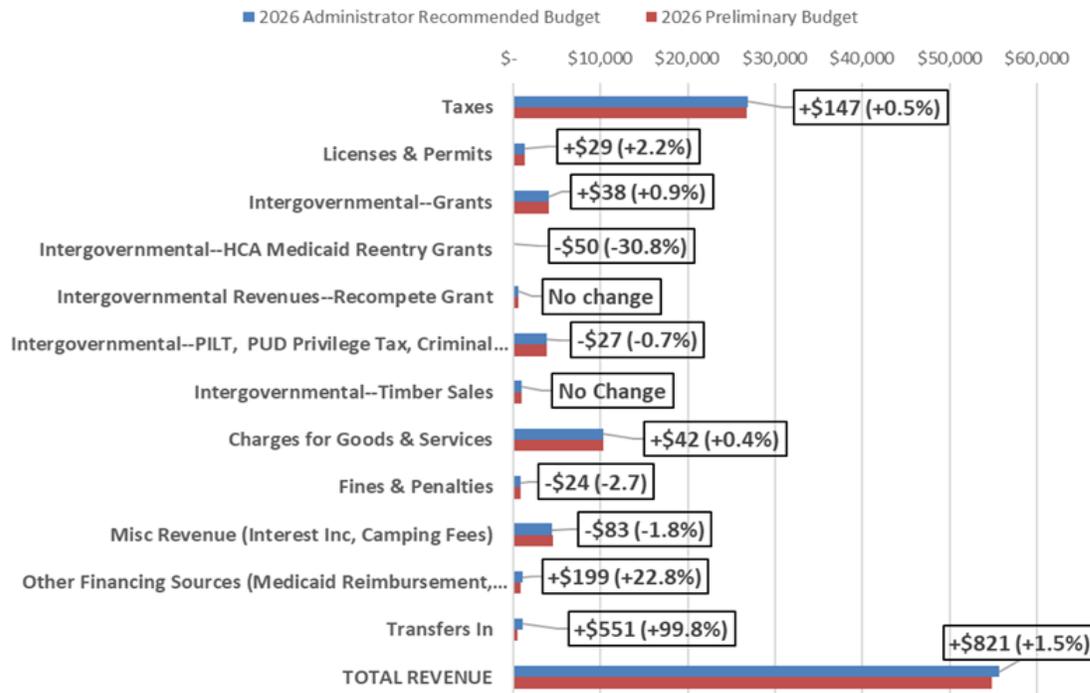
Steps Taken to Close the \$3.258 million Gap between General Fund Revenues and Expenditures reflected in the 2026 Preliminary Budget

- **Revenue Gains and Expenditure Reductions Identified--\$2.362 million**
 - **Revenue Gains--\$796k**
 - One-Time--\$749k (Dungeness Off Channel Reservoir & Carlsborg Water Mitigation Transfers--+\$549k; Sale of Surplus Property--+\$200k)
 - Recurring--\$47k (Sales tax forecast +\$112k), Auditor Election/Voter fees (+\$60k), DCD Permit & Planning (+\$42k); Less lower Interest Income (-\$86k) & Dungeness camping fees (-\$40k), Juvie HCA (-\$50k)
 - **Expenditure Reductions--\$1.566 million**
 - One-Time--(-\$393k)--ARPA funds re-obligated to Personnel Costs Placeholder (\$200k), Risk Management Allocation (\$193k)
 - Recurring--(-\$1,173k)--DCD grant-related professional services (\$388k); Open Labor Contract Placeholder True-Up (\$235k); ER&R Vehicle Rental (\$153k); Redundant Software/Systems costs (\$106k); Clallam Conservation District/North Olympic Library (\$61k)
- **Department and New Capital Requests for Additional Funding Held to a Minimum**
 - Of the \$2,712,634 of department requests received for additional General Fund support, only **\$915,599** has been recommended for inclusion in the 2026 Budget
 - Capital requests of **\$1.351 million** have been recommended for inclusion in the 2026 General Fund Budget, of which \$0.992 million is fully grant funded (reflects **\$120k of new requests** added from the Preliminary Budget).
- Together with other revenue and expenditure adjustments made, **the General Fund bottom line (including payroll underspend and placeholder costs) improved from a deficit of (\$3.258 million) to a deficit of (\$1.931 million), an improvement of \$1.327 million.**

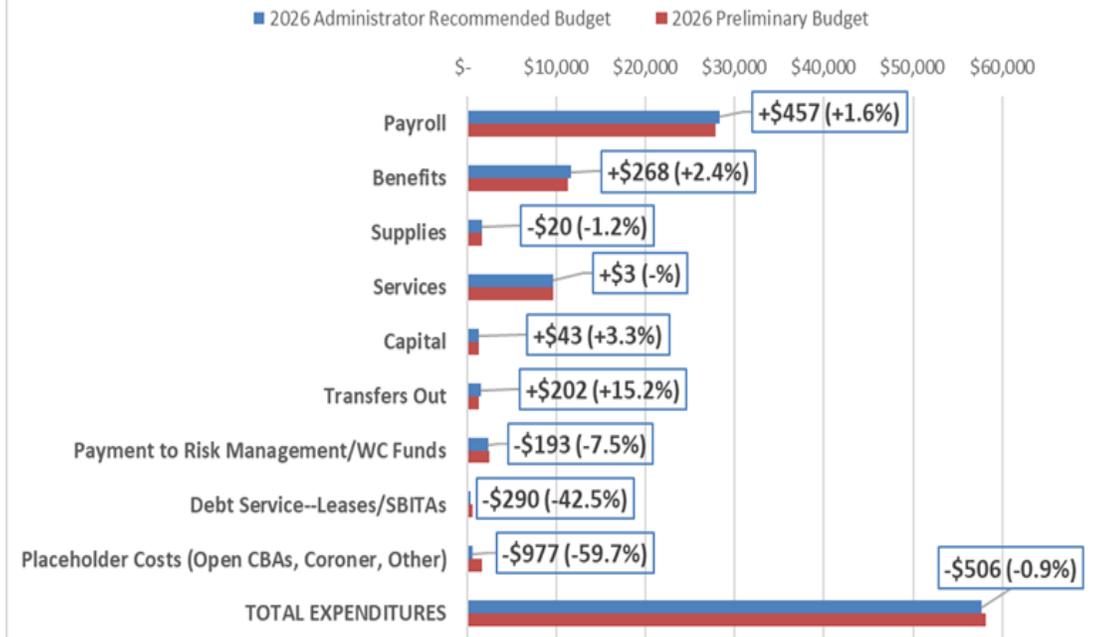


Revenue & Expenditure Changes—2026 Administrator Budget vs Preliminary Budget—a \$1.327 million Improvement

REVENUE CHANGES--2026 ADMIN RECOMMENDED BUDGET VS PRELIMINARY BUDGET
(\$ IN THOUSANDS)



EXPENDITURE CHANGES--2026 ADMIN RECOMMENDED BUDGET VS PRELIMINARY BUDGET
(INCLUDING PLACEHOLDER COSTS/PAYROLL UNDERSPEND)
(\$ IN THOUSANDS)



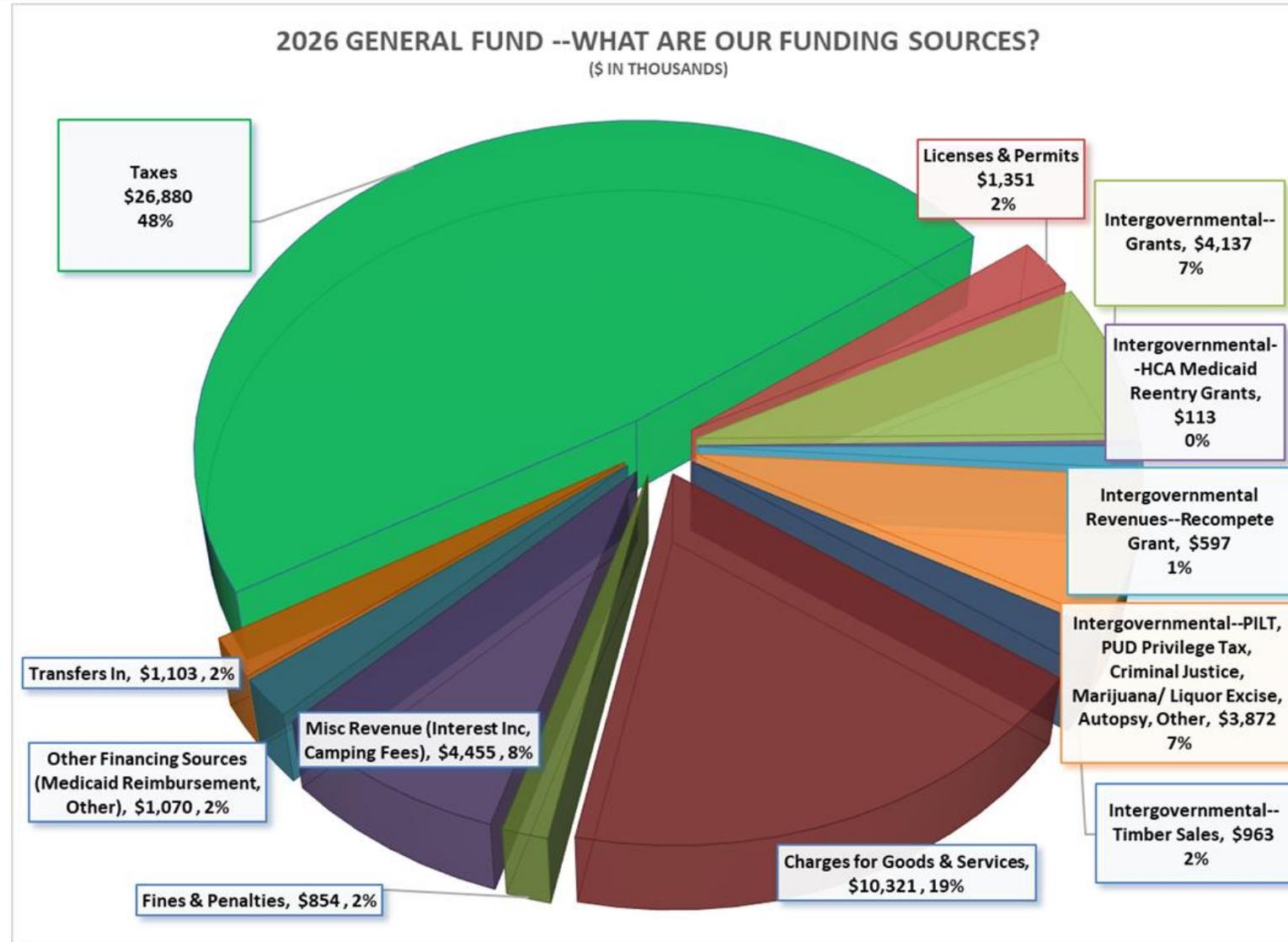
What is Not Yet Reflected in the 2026 Administrator Recommended Budget?

- Payroll & Benefit Costs for Collective Bargaining Unit Labor Contracts Still in Negotiations (placeholder included)
- Costs relating to creation of Coroner position (placeholder included);
- Final true-up of the General Fund's 2026 indirect cost allocation plan;
- Repurposing of \$200k of de-obligated ARPA funds to Cover General Fund Personnel Costs (placeholder included);
- Future of Sheriff Jail CREW function in light of Roads Funding Challenges;
- Updates to County DNR Timber revenue; and
- Other cost adjustments identified during review of changes made to the budget
 - **TOTAL ESTIMATED COST OF ITEMS NOT YET INCLUDED IN THE BUDGET-**
-\$0.661 MILLION
 - Represents a \$1.0 million drop from the Preliminary Budget



How is the General Fund funded?

Total 2026 Budgeted Revenue--\$55.715 million



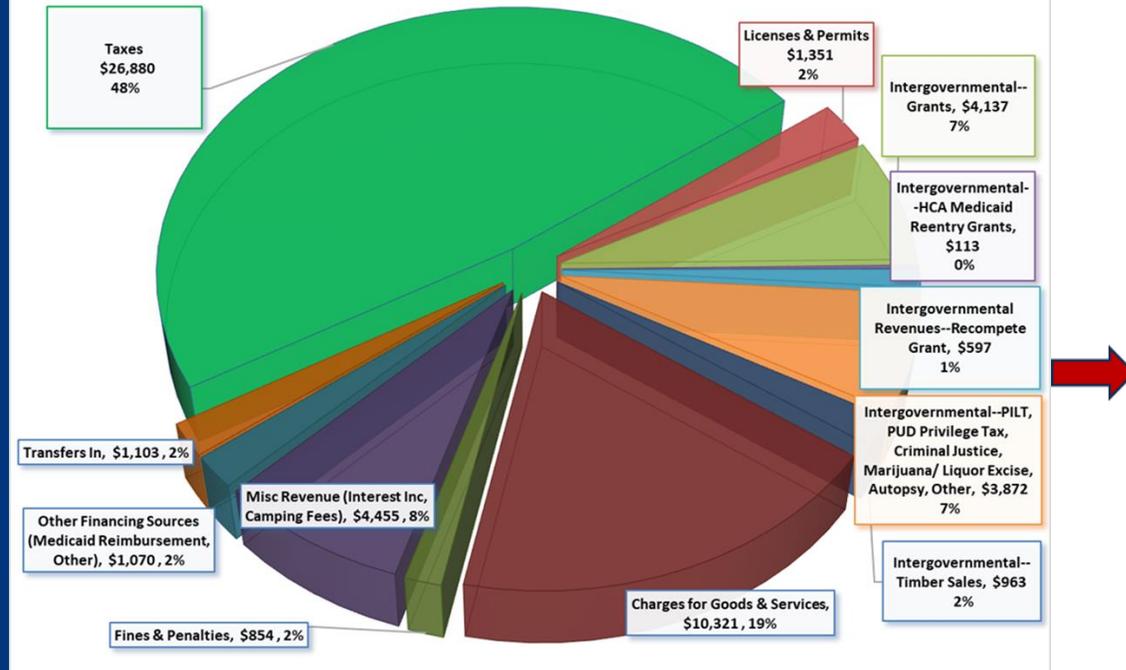
REVENUE SOURCES—2026 vs 2025

	Administrator Recommended Budget 2026	Projected 2025	\$ INCREASE (DECREASE)	% INCREASE (DECREASE)
REVENUES:				
Taxes	26,880	26,322	558	2.12%
Licenses & Permits	1,351	1,297	54	4.14%
Intergovernmental Revenues	9,682	15,180	-5,498	-36.22%
Charges for Goods & Services	10,321	9,557	764	8.00%
Fines & Penalties	854	927	-73	-7.91%
Misc Revenue (Interest Inc, Camping Fees, etc)	4,455	4,711	-256	-5.43%
Nonrevenues (Sale/Use Tax, Lodging Tax--Parks & Facil)	0	0	0	-
Other Financing Sources	1,070	198	872	440.57%
TOTAL REVENUE FROM OPERATIONS	54,612	58,192	-3,580	-6.15%
Transfers In (mainly return of working capital funding previously provided by General Fund to grant-funded projects or one-time transfers from ARPA)	1,103	833	270	32.42%
TOTAL REVENUE	55,715	59,025	-3,310	-5.61%

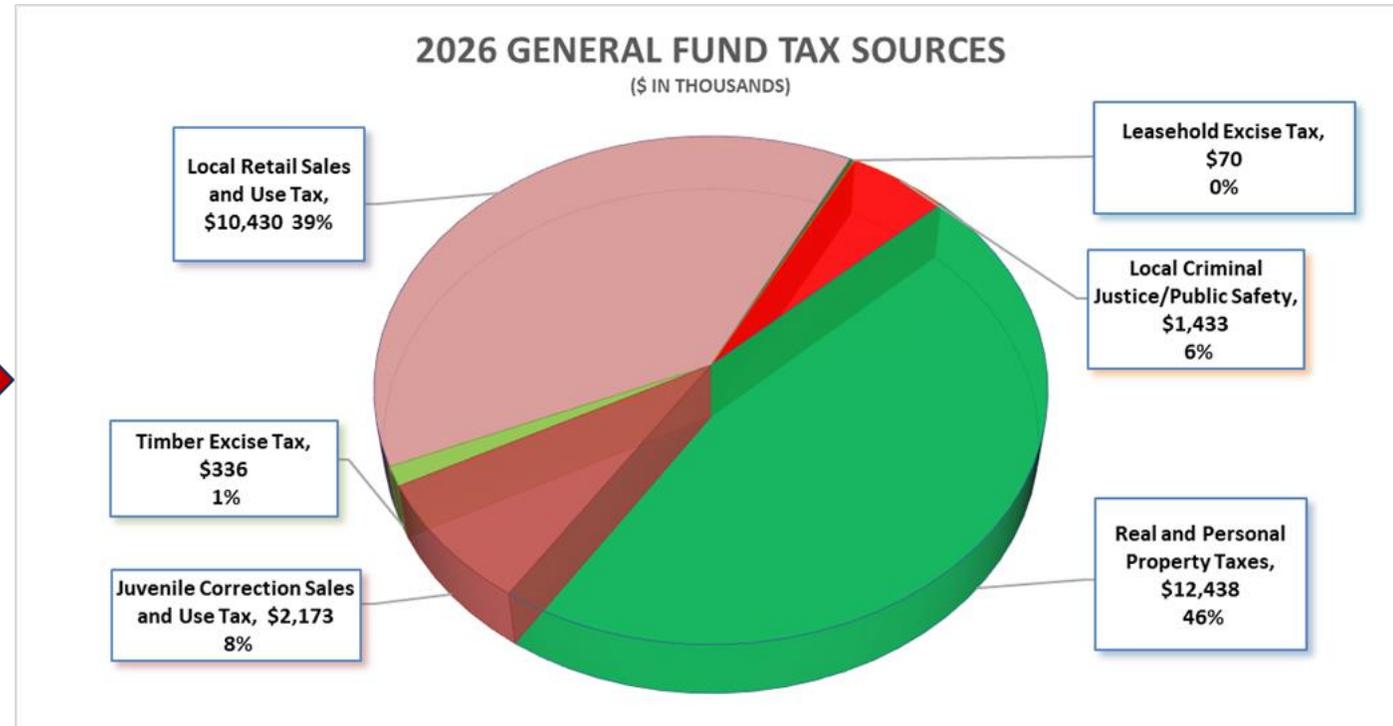


LARGEST SOURCE OF REVENUE—TAXES— \$26.880 million or 48% of General Fund (budgeted growth of 2.1% over 2025)

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

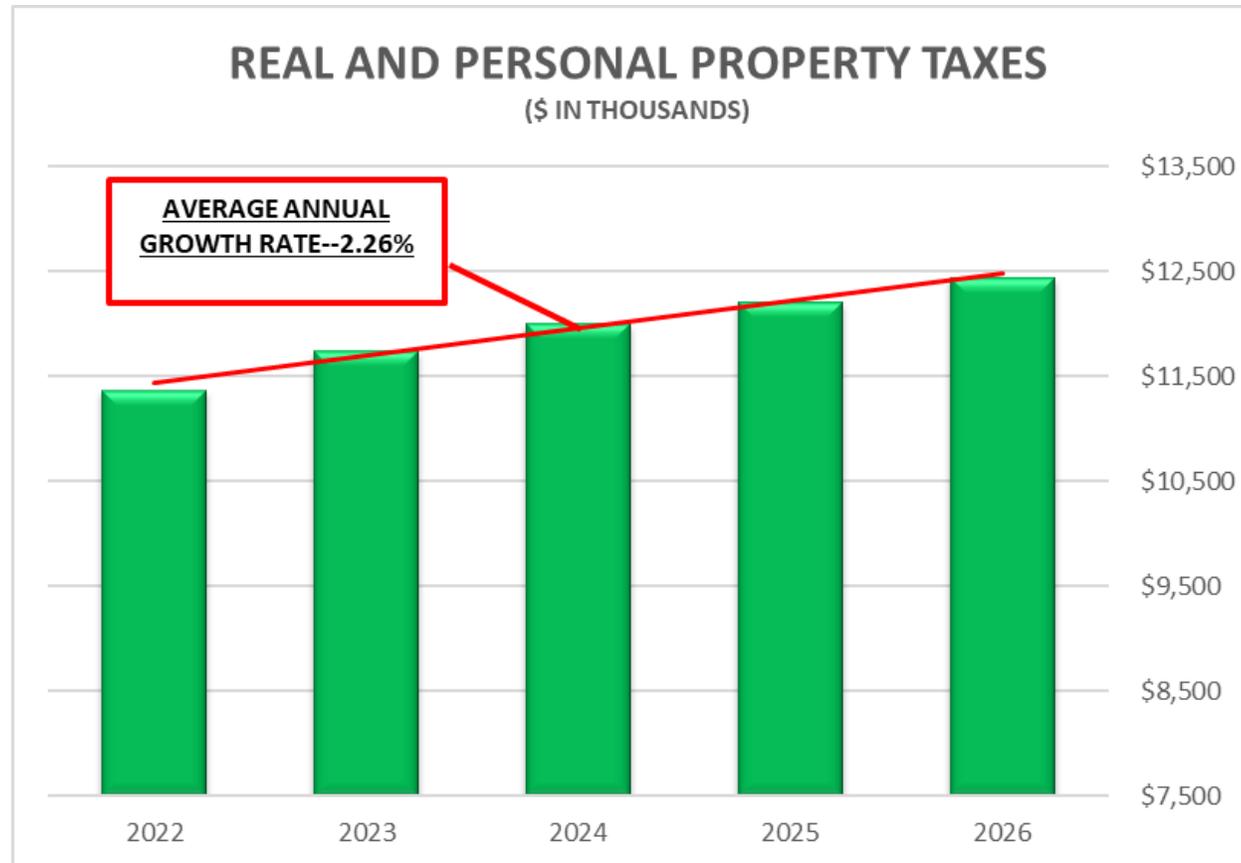


2026 GENERAL FUND TAX SOURCES
(\$ IN THOUSANDS)



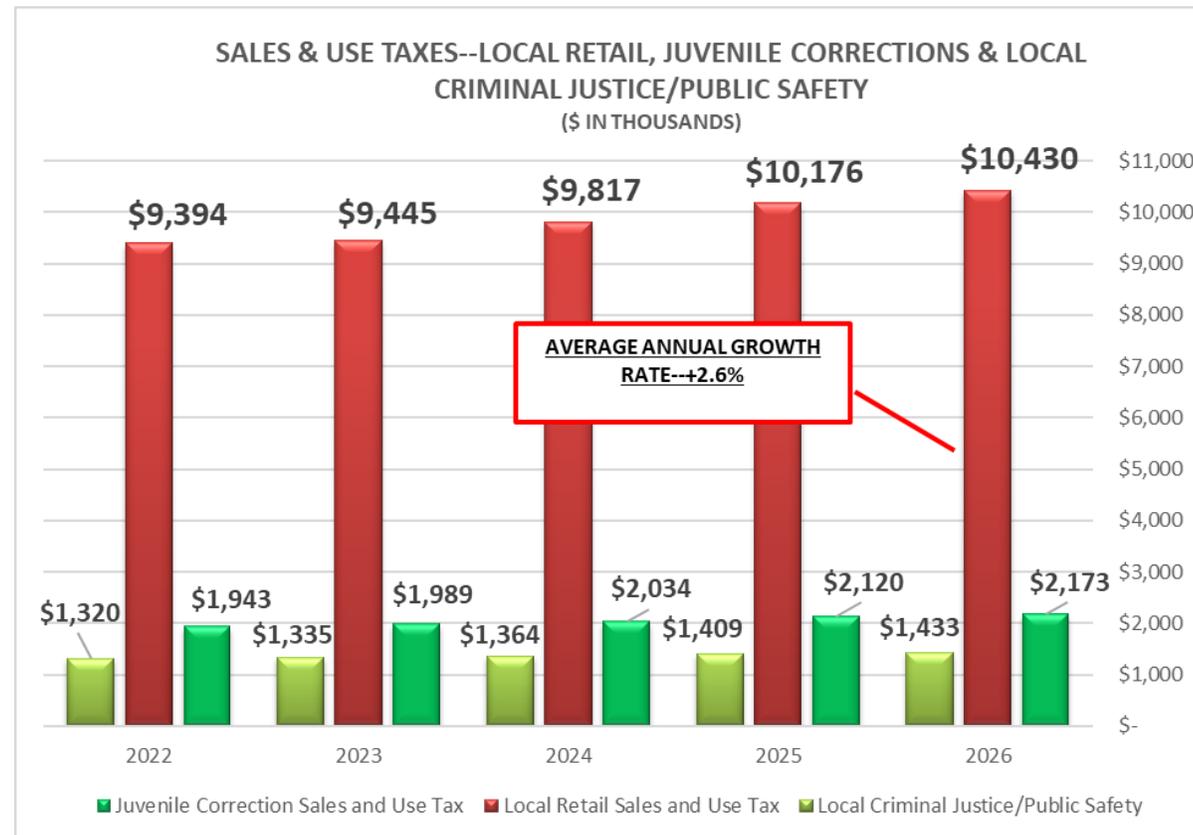
Property Taxes Growth Trend

- **Property Taxes 2026 Budget--\$12.438 million**
- Limited to 1% Annual Growth Plus New Construction (absent voter-approved levy lid lift)



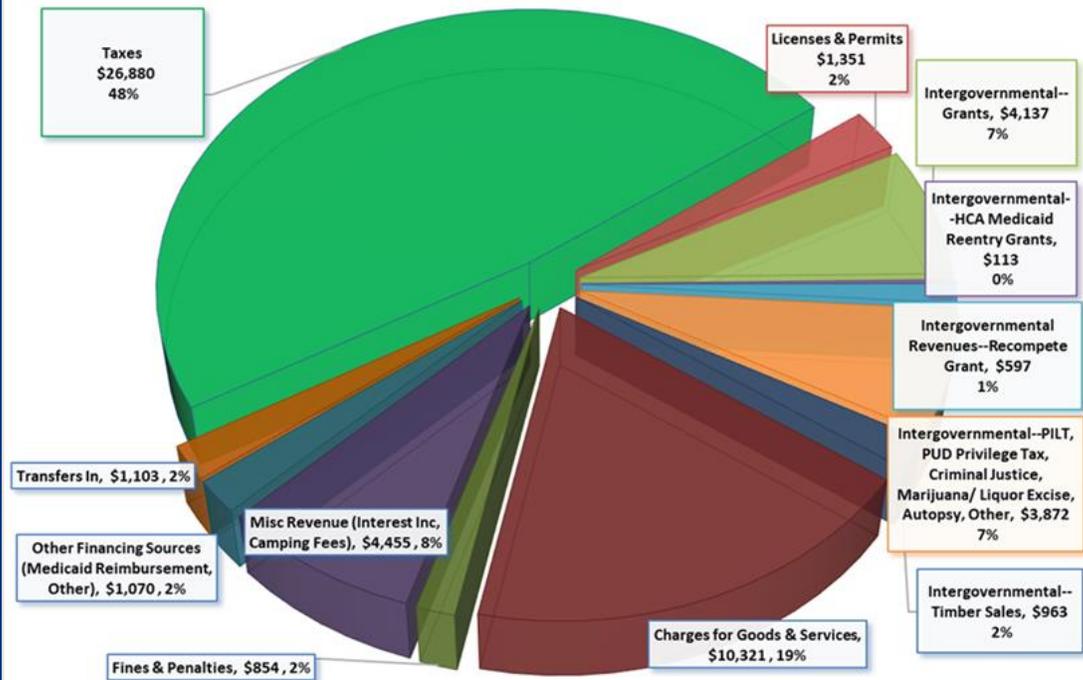
Sales Tax Growth Trend

- **Combined Local/Juvenile/Criminal Justice/Public Safety Sales Tax Budgeted for 2026--\$14.036m**
- Sales tax growth has slowed considerably post-pandemic as inflation together with high interest costs have slowed consumer spending.
- Sales tax generated from WSDOT road infrastructure projects and resilient tourism have helped offset challenging local economic conditions.
- **2026 Budget assumes 2.5% growth (vs 3.7% growth projected in 2025).**

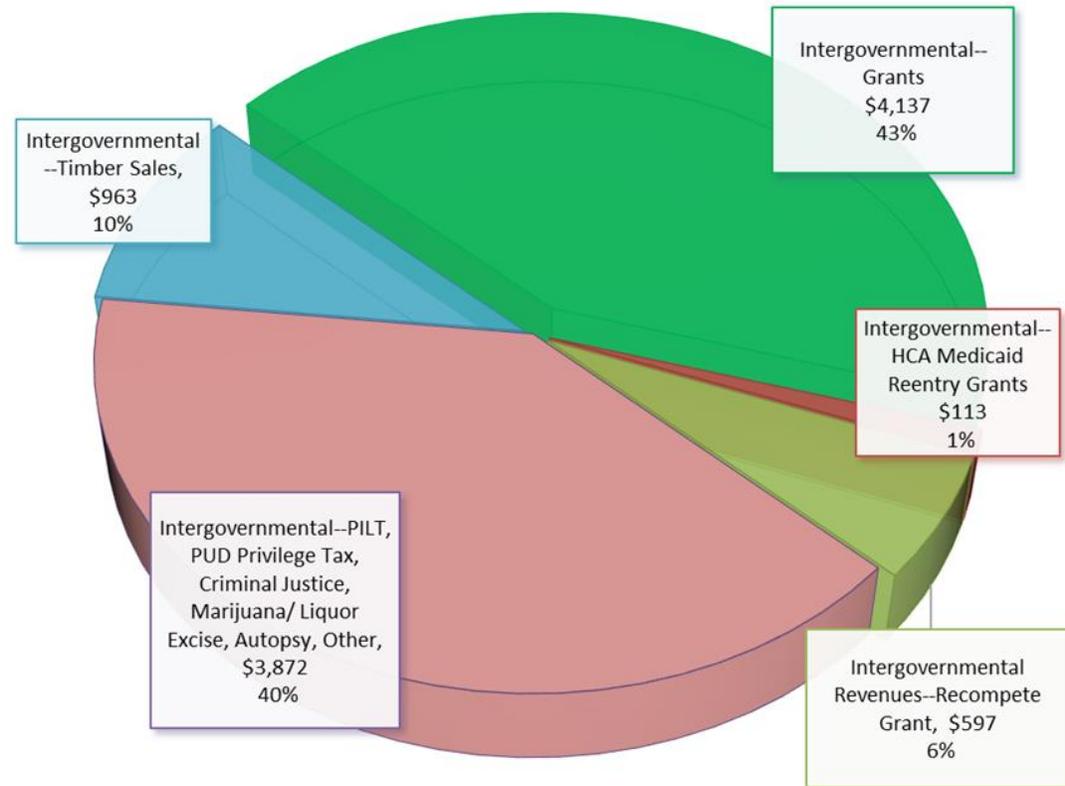


Intergovernmental Revenues-- \$9.682 million or 17% of General Fund Revenue

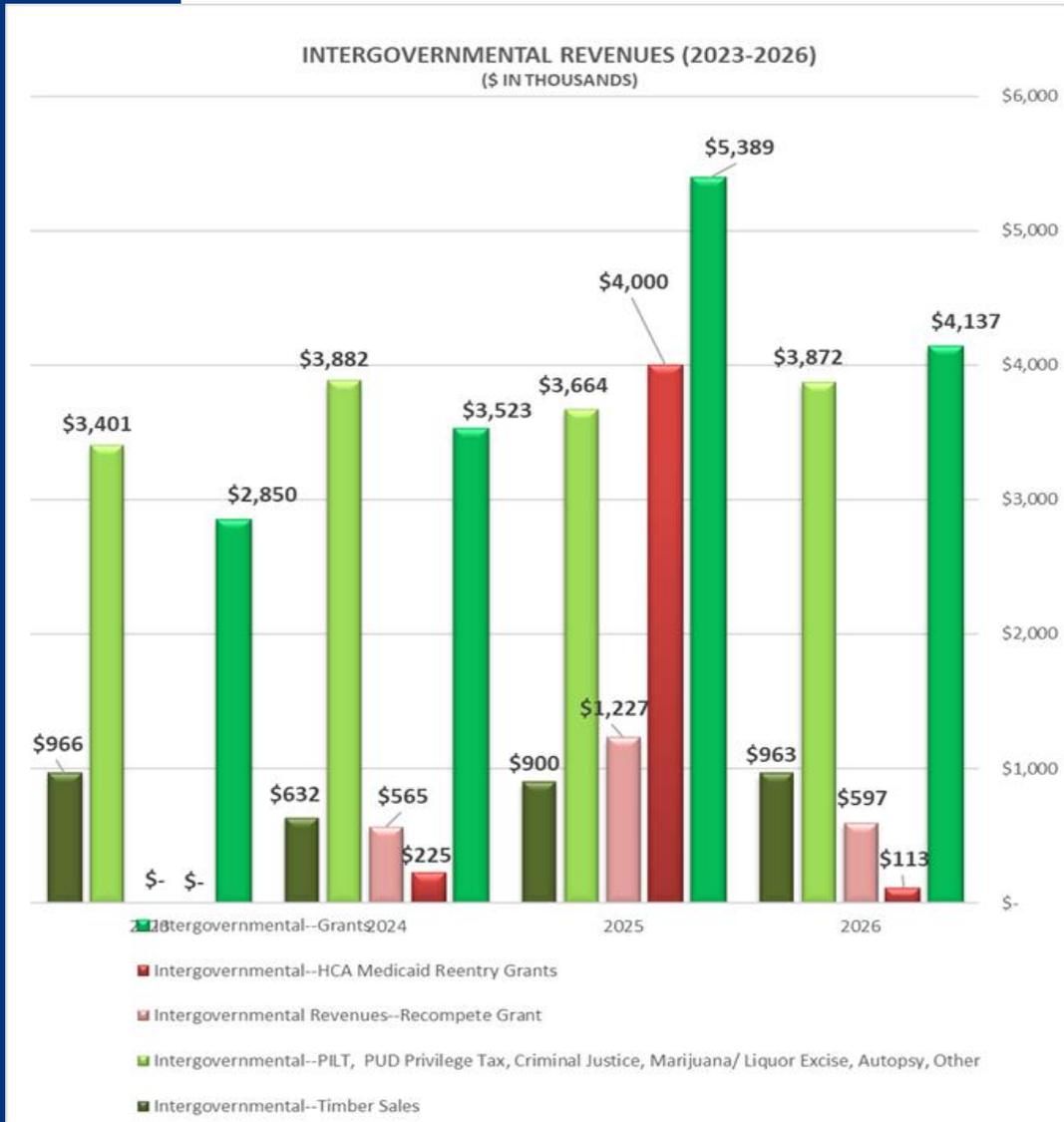
2026 GENERAL FUND --WHAT ARE OUR FUNDING SOURCES?
(\$ IN THOUSANDS)



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



Intergovernmental Revenue Trend



Trend Drivers:

- **HCA Medicaid Reentry Grant advances received for new Clinical Services of \$225k in '24, \$4.0 million in '25, \$0.113 million budgeted in 2026**—to be spent in '25, '26 & '27 to build capacity and make needed IT & facility infrastructure improvements to support healthcare needs of adult and juvenile offenders.
- **Recompete Grant**—decreasing \$630k in '26
- **Other Grants dropping \$1.252 million in '26 vs '25**—Sheriff Wildfire Defense & Homeland Security (-\$238k), Community Development GMA, Climate Planning, Lower Elwha (-\$382k), Juvenile Services (-\$261k in BECCA state cut, Sex Offender Disposition), District Court (-\$184k therapeutic courts); offset by \$544k in higher Sheriff WASPC Mental Health Field Response grants
- **Intergovernmental Taxes (PILT, PUD, Criminal Justice, Other)**—increasing +\$208k in '26
- **Timber Sales** projected to total \$0.963 million in '26.



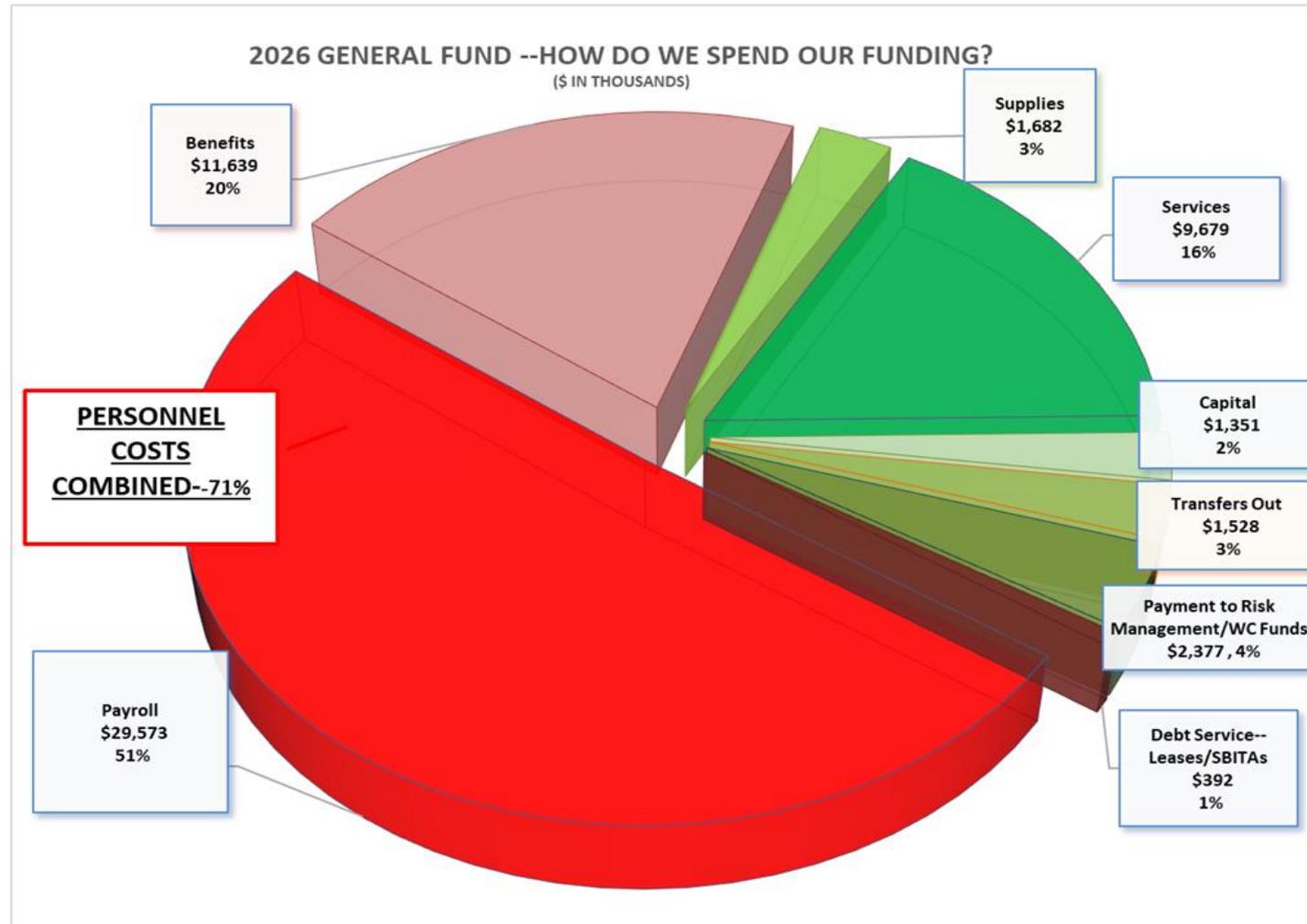
OTHER GENERAL FUND REVENUE SOURCES

- **Charges for Goods & Services**--\$10.32 million or 19% of GF Revenues (up \$764k over '25 due to rate increases estimated under existing criminal justice, OPSCAN, and other interlocal agreements, resumption of Jail CREW services to Roads (pending further discussion), higher Hargrove funding to support Clinical Services mental health services and therapeutic courts, and DCD Plan Check fees.
- **Licensing & Permits**--\$1.351 million (up +4.1% from '25 due to higher building and land use permit revenues (CPI rate increase planned), as offset by -3% decline in franchises.
- **Fines & Penalties**--\$854k (down -7.9% due to lower District Court and Treasurer fines & penalties revenue budgeted compared to 2025 trend).
- **Miscellaneous Revenue**--\$4.455 million (down -\$256k or -5.4% from '25)
 - Interest Income--\$2.76 million
 - Camping Revenues--\$944k
 - Environmental Health operating assessments--\$290k
 - Fairground--\$202k
- **Other Financing Sources Revenue**--\$1.070 million (up +\$872k from '25) due to full year of Clinical Services Medicaid reimbursements, \$200k from sale of surplus property.
- **Transfers In**--\$1.103 million reflecting return of working capital from Joyce Broadband and Dungeness Off Channel Reservoir capital projects.



EXPENDITURES--How are General Fund Monies Spent?

Total Expenditures 2026 Budget--\$58.222 million



EXPENDITURES—2026 vs 2025

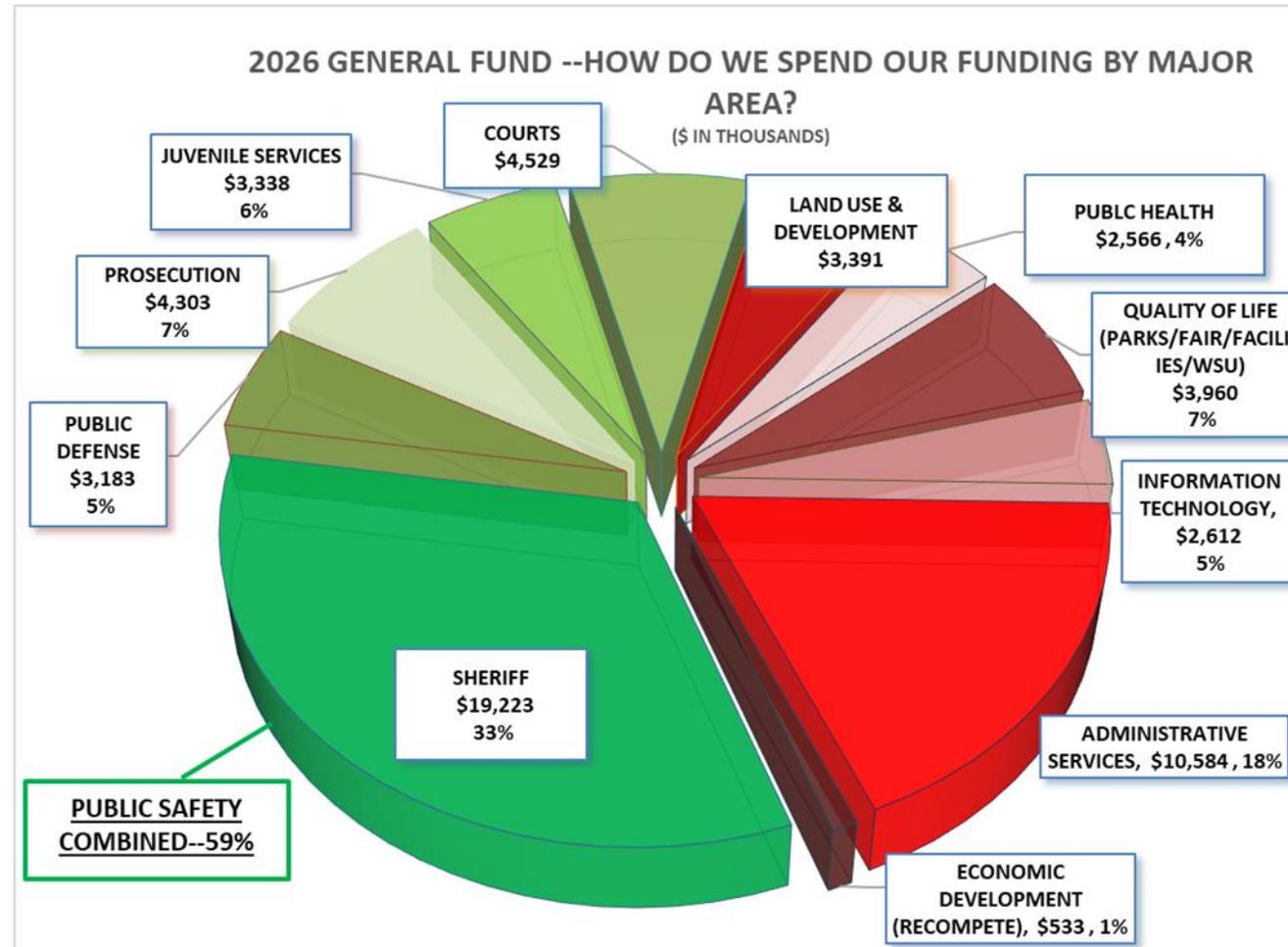
- Total Expenditures are currently **budgeted to increase 5.9% in 2026 over 2025 projected**, and to increase **4.8% after adjusting for expected payroll underspend of \$1.2 million due to open budgeted positions and \$0.661 million in expected net costs not fully incorporated into the 2026 budget relating to labor contracts, coroner, ARPA funding for personnel costs, and other costs.**

	Administrator Recommended Budget 2026	Projected 2025	\$ INCREASE (DECREASE)	% INCREASE (DECREASE)
EXPENDITURES:				
Payroll	29,573	26,603	2,970	11.17%
Benefits	11,639	10,742	897	8.35%
Supplies	1,682	1,592	90	5.68%
Services	9,679	10,936	-1,257	-11.50%
Capital	1,351	1,243	108	8.70%
Payment to Risk Management/Workers Comp Funds	2,377	2,273	104	4.56%
Debt Service--Leases/SBITAs	392	583	-191	-32.78%
TOTAL EXPENDITURES FROM OPERATIONS--				
INCLUDING COVID	56,694	53,972	2,722	5.04%
Transfers Out	1,528	1,027	501	48.81%
TOTAL EXPENDITURES	58,222	54,999	3,223	5.86%
BUDGET ADJUSTMENTS:				
LESS--PAYROLL/BENEFITS HISTORIC BUDGET UNDERSPEND DUE TO POSITION DARK TIME		1,236		
PLUS--OTHER ADJUSTMENT PLACEHOLDERS (OPEN LABOR CONTRACTS, CORONER POSITION, ARPA PERSONNEL FUNDING & OTHER COSTS) TO BE INCORPORATED INTO BUDGET		-661		
TOTAL EXPENDITURES, ADJUSTED	57,646	54,999	2,647	4.81%

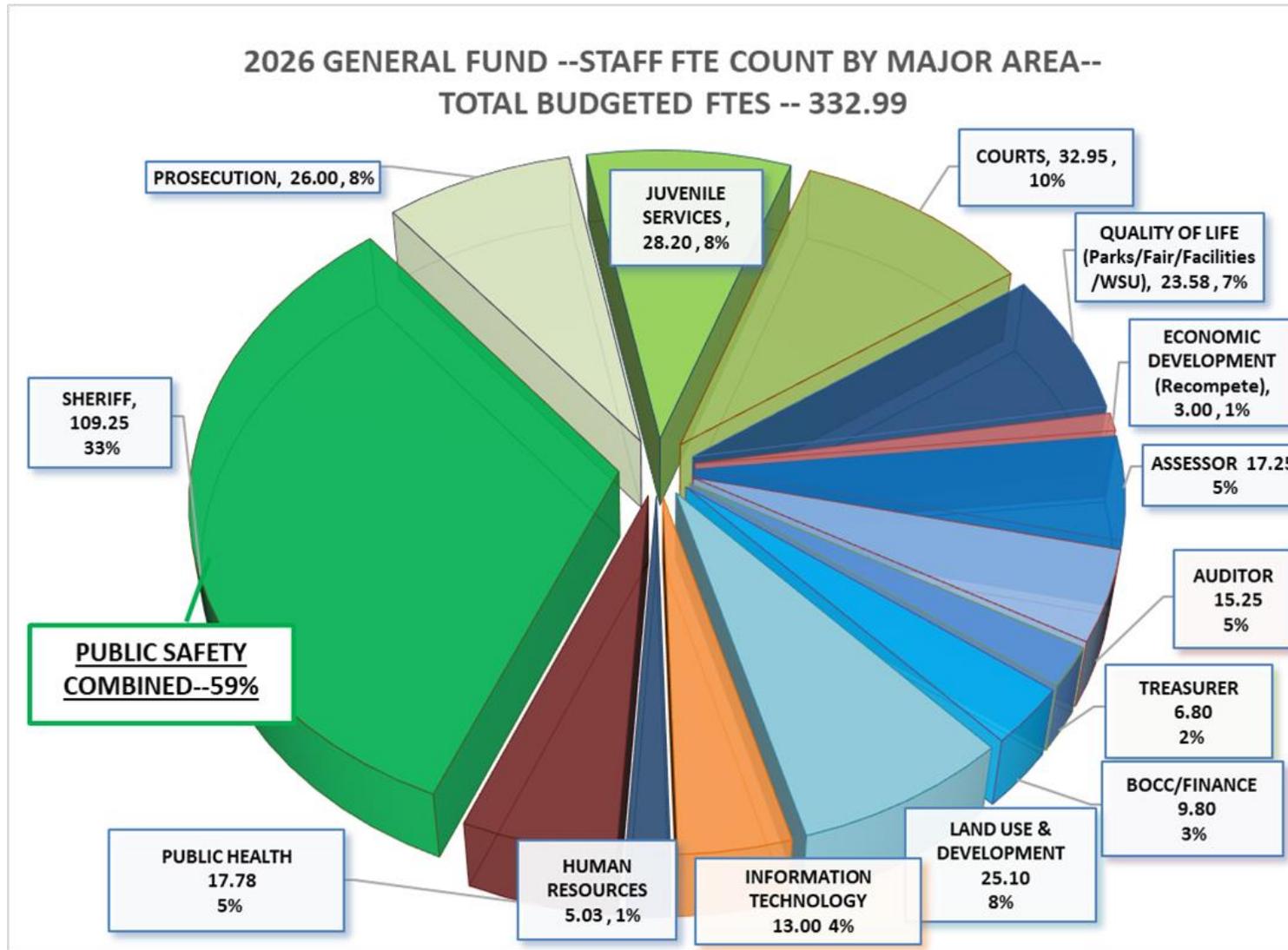


How are General Fund Monies Spent—By Program Area?

- 59% of Spending Focused on Public Safety



How are General Fund Functions Staffed by Area?



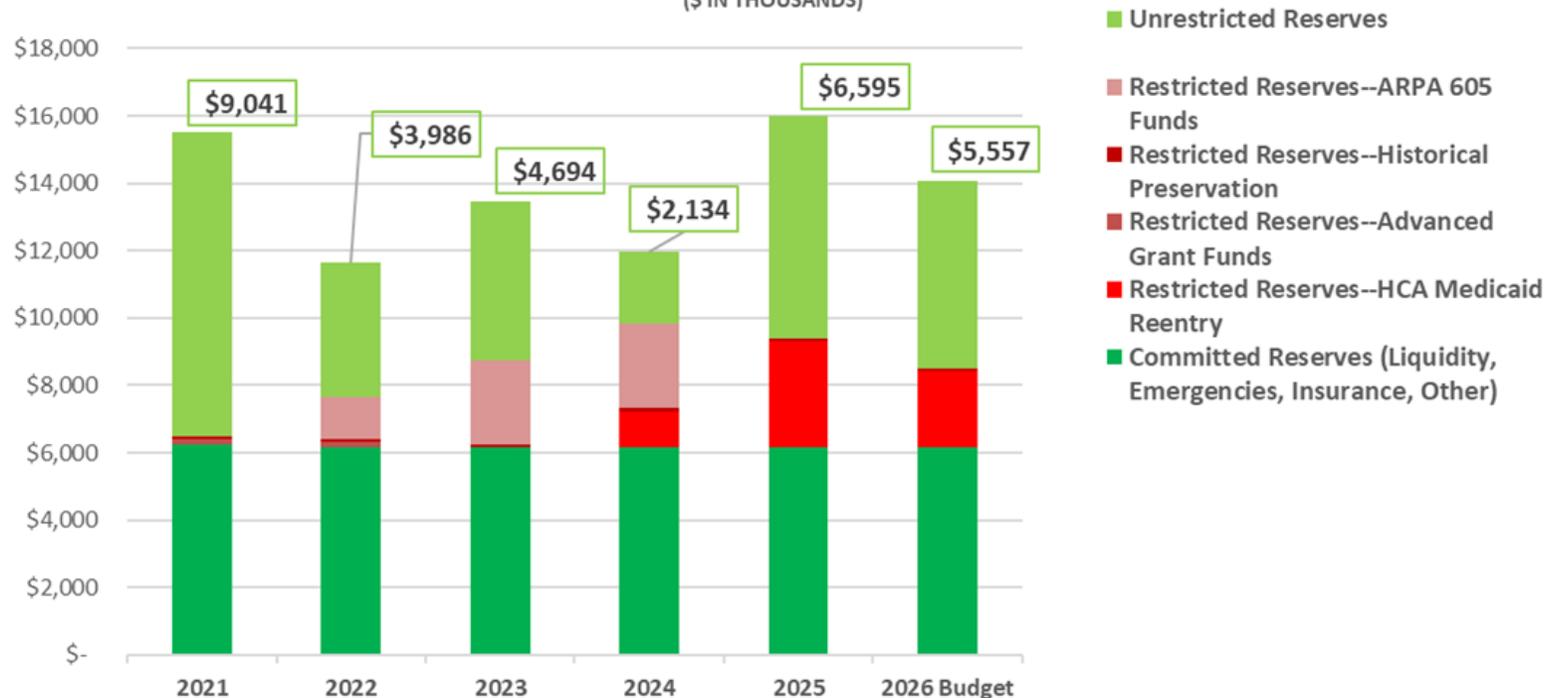
- Public Safety—59% of Total FTES
- 2026 Headcount Held Flat to 2025 Budget (-0.1 FTE decrease)



General Fund Reserves Trend— 2026 Projected Ending Reserves--\$14.057 million

- The County's Reserves are made up of:
 - Committed Budgetary Reserves—44% (per prior slide);
 - Restricted Reserves—17% (monies that are to some degree limited in how they can be used)
 - Unrestricted Reserves—39% (can be used for any government purpose)

GENERAL FUND RESERVES TREND -- BY TYPE
2021-2026
(\$ IN THOUSANDS)



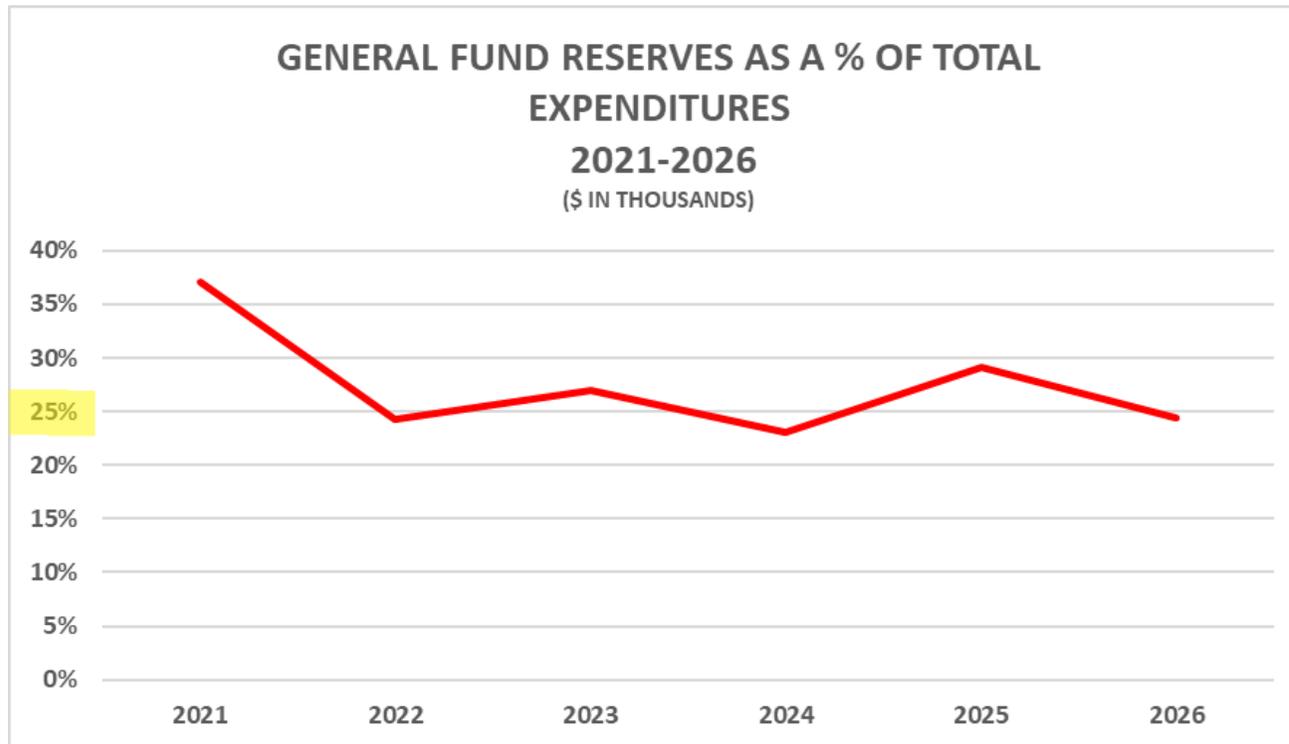
Key Take-Aways:

- Preliminary Budget currently reflects a (\$2.507) million Operating Deficit, with ending reserves dropping to \$13.482 million (based on a fully staffed budget)
- When adjusted for \$1.2m of expected payroll underspend due to open positions and \$661k of placeholder costs, the 2026 Budget projects a (\$1.931) million Operating Deficit, with ending reserves of \$14.057 million.
- While Overall Reserves have grown modestly by +2.2% from 2021 to 2025, this has been due to the \$4.2 million in HCA Medicaid Reentry grant advances received in '24 & '25 that will be expended fully by '27. Reserves for '26 are projected to decrease - 12%.



General Fund Reserves (as a % of Total Expenditures)

Goal = at least 25%



- The County has been able to maintain reserve levels at or above the 25% goal from 2021 to 2023, and again in 2025 (but due to HCA grant advances received).
- Based on the Administrator Recommended Budget for 2026, reserves are projected to end the year at 24.4%, or just slightly below the 25% goal.
- Reserves will be \$1.557 million higher than minimum reserve levels set by Commissioners of \$12.5 million (or 22%).



**CAPITAL OUTLAY
OVERVIEW—
Rebecca Turner,
Deputy CFO**



Capital Outlay Overview—GENERAL FUND--\$1.351 million

- Health & Human Services--\$5k
 - Drinking Water Filtration Station – 1st floor at 3rd Street building
- Patrol--\$309k
 - Vehicles with associated equipment
 - Portable Radio Replacement Plan
- Healthcare Authority (HCA) Medicaid Reentry (grant funded)--\$992k
 - Juvenile Services:
 - Security Electronic Upgrades, Computer Equipment, Xandar Room Sensors, Guard1Real Time Trackers, Soundproofing & installation of secure interview rooms
 - CCSO
- Superior Court--\$45k
 - Bullet proof panels in Courtrooms 2 & 3
 - JAVS PolyCom Video Conference Replacements



Capital Outlay Overview—GENERAL FUND (cont.)

- Parks & Facilities Capital Projects--\$500k
 - Carryover of Single Point Entry Construction
 - Carryover of Parks Master Plan
 - Cuff Port purchase plan
 - Fairgrounds Septic Pumps
 - Unanticipated Projects
 - Wilder Stage Update
 - Courthouse Fuel Polish Diesel Tank
 - Rodeo Area Renovation (grant-dependent)
- Information Technology Capital Project--\$111k
 - EDEN Financial System Upgrade
 - APC UPS & battery replacements
 - Wiring bridge in BOCC Network Room
 - Unanticipated Projects



Capital Outlay Overview—OTHER COUNTY FUNDS

- Roads--\$10.857 million
 - Right of Way land purchases, County Road Construction, Vehicle & Equipment purchases
- CCSO--\$17.36 million
 - Joint Public Safety Facility, OPSCAN Radio Network Equipment
- Dungeness Off-Channel Reservoir--\$3.45 million
- Broadband Infrastructure--\$5.5 million
- Carlsborg Sewer--\$86k
 - City of Sequim Capital Improvement Charge
- ER&R--\$1.23 million
 - Public Works – Gutters, V-Box Sander, 3 Yard Dump Truck, Jet Truck, Pickup Broom
 - CCSO – Patrol Vehicles



Capital Outlay Overview—OTHER COUNTY FUNDS (cont.)

- Clallam Bay/Sekiu Sewer--\$11.355 million
 - Pump Station Repair & Replacement
 - Collection System Repair & Replacement
 - Carryover of Conex box project
- Solid Waste--\$134k
 - County Solid Waste Management Plan
- REET--\$3.299 million
 - Energy Audit projects, Dungeness Trails safety & signage projects, Courthouse Air System upgrades, Floor covering, Jail lock repair & replacement, Historic Courthouse preservation, Juvenile Detention Control Room project (in conjunction with HCA funding), Parks Road & Trail projects, Clallam Bay Sheriff Detachment, Security fencing/gate around 3rd Street building
- Parks Capital Repair & Replacement--\$80k
 - Dungeness Recreation Area Site Improvements



Additional Capital Outlay Requests Deferred--\$1.085 million

- Building Remodel/Update/Furnishing/Security Requests
- Vehicles & Equipment
- IT Infrastructure Upgrades/Replacements
- Additional REET funding request for Roads



One-Time Revenues and Costs and their Role in Closing the 2026 Funding Gap

- While significant progress was made to reduce the projected 2026 operating deficit from (\$3.258) million to (\$1.931) million and achieve reserve levels of \$14.057 that exceed Commissioner-set minimum levels and are only slightly below the 25% overall reserve goal, some of this reduction came from “one-time” adjustments:

One-Time Revenue & Expense Adjustments made to Preliminary Budget:

• Dungeness Reservoir and Carlsborg Water Mitigation Transfers	\$549,000	
• Sale of Surplus Property	\$200,000	
• ARPA Funds Re-Obligated to Fund Personnel Costs	\$200,000	
• Risk Management Allocation Reduction using Risk Reserves	\$193,000	
Total One-time Adjustments Made		\$1,142,000

Other One-Time Costs/Revenues Included in 2026 Budget:

• One-Time Department Requests	(\$ 408,000)	
• One-Time Capital (\$992 HCA capital, \$120k added capital requests)	(\$1,112,000)	
• Transfers (\$500k working capital transfer to HHS, (\$296k) from Broadband)	<u>(\$ 204,000)</u>	
Total One-Time Net Costs included in 2026 Budget		(\$1,724,000)

TOTAL ONE-TIME NET COSTS INCLUDED IN 2026 BUDGET--(\$582,000)



Looking Beyond One-Time Revenues and Costs & Understanding the Ongoing Budget Deficit Facing the County in 2026 & Beyond

- The Estimated 2026 Ongoing Operating Deficit as calculated to exclude the one-time revenue and costs and adjustments identified is as follows:

GENERAL FUND—ADJUSTED 2026 OPERATING DEFICIT	(\$1,931,000)
Less: One-time Revenue/Costs Adjustments Made	(\$1,142,000)
Plus: One-Time Department Requests & Capital Requests	\$ 528,000
Plus: One-Time Net Costs Included in 2026 Budget	\$1,196,000
GENERAL FUND—ONGOING OPERATING DEFICIT	(\$1,349,000)

- While the 2026 Administrator Budget as presented **represents an “adoptable budget”** under County policy as the (\$1.931) million operating deficit can be sufficiently covered through usage of available General Fund reserves while maintaining reserve levels near the 25% reserve goal, it is not a sustainable “balanced budget” without further actions being taken in the future to address this (\$1.349) million ongoing deficit.



Potential Options to Move From An “Adoptable Budget” to a “Balanced Budget”

- A Number of Options Exist for Addressing this Ongoing Operating Deficit, including:
 - **OPTION 1**—Adopt this “Allowable Budget” for 2026, representing the Administrator Recommended budget as presented herein which currently does not require FTE reductions; this option would require further cost reduction actions being taken in 2027;
 - **OPTION 2**—Adoption of the budget under Option 1 as modified to consider implementation of the new 1/10th percent criminal justice sale tax by July 2026 along with a reduction of 2 FTEs;
 - **OPTION 3**—Adoption of the budget under Option 1 with planned utilization of all HCA Reentry grant funds in 2026 (leading to an approximate deficit reduction of approximately \$0.5 million in 2026 but leading to a potential shortfall of a similar amount in 2027);
 - **OPTION 4**—Adoption of the budget under Option 1 but remove assumption of payroll underspend to balance budget in favor of capturing payroll underspend as it occurs for the following year’s capital outlays; this option would require an estimated 10 FTE headcount reduction;
 - **OPTION 5**—Adoption of a “Balanced Budget” from an ongoing perspective, requiring an approximate 11 FTE headcount reduction, along with inclusion of one-time budget adjustments previously identified;
 - **OTHER OPTIONS**—Adoption of a “Balanced Budget” utilizing cost reductions achieved through a combination of FTE reductions, other personnel cost reductions, and/or elimination of funding for outside organizations and State programs that are not fully reimbursed.



Next Steps in the Budgeting Process

- Commissioners, County Administrator and Finance Team to Meet with Each Department in October, with areas of focus/discussion to include:
 - Revenue, Costs and Staffing Assumptions and Opportunities to Re-Focus Resources on Critical Services
 - Department Requests, and
 - Capital Requests
- Budget Town Hall Meetings
 - October 14th—Port Angeles—BOCC Board Room 5pm-7pm
 - October 22nd—Sequim—Guy Cole Event Center 5pm-7pm
 - October 29th—Forks—Forks City Hall Council Chamber 5pm-7pm
- Integrate Identified Changes into the Draft Budget to be Presented on November 11th



QUESTIONS

