



AGENDA ITEM SUMMARY

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

Department: Finance

WORK SESSION Meeting Date:

REGULAR AGENDA Meeting Date: **09/10/2019**

Required originals approved and attached?
Will be provided on:

Item summary:

- | | | |
|---|--|---|
| <input type="checkbox"/> Call for Hearing | <input type="checkbox"/> Contract/Agreement/MOU - Contract # | |
| <input type="checkbox"/> Resolution | <input type="checkbox"/> Proclamation | <input checked="" type="checkbox"/> Budget Item |
| <input type="checkbox"/> Draft Ordinance | <input type="checkbox"/> Final Ordinance | <input type="checkbox"/> Other Monthly Review |

Documents exempt from public disclosure attached:

EXECUTIVE SUMMARY:

As required by the Clallam County Charter, attached for review and discussion is the 2020 Preliminary Budget for Clallam County. The submission of this preliminary budget is the first step in the budget adoption process, with the following key dates to follow:

- Wednesday, September 11th—Port Angeles Public Meeting at 11:30am at the Red Lion;
- Sept 18-27th—The Administrator, CFO and the Budget Director to meet with each department;
- Tuesday, September 24th—Sequim Public Meeting at 11:30am at the Sequim Chamber Meeting;
- Wednesday, October 2nd—Forks Public Meeting at 12 pm at the Forks Chamber Meeting.
- Monday, October 14th—CFO and the Administrator submit the Recommended Budget to the BOCC;
- October 17th-25th—BOCC, Administrator, CFO and Budget Director to meet with each department;
- Tuesday, December 3rd—Final Public Hearing at 10:30am and 6pm in the Board Room to adopt final budget by resolution.
- Tuesday, December 10th—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:

- 2020 Preliminary Budget Summary—All Funds;
- General Fund 4 Year Comparison of 2020 Preliminary Budget to Projected/Actual Results for 2019-2017;

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- General Fund 4 Year Comparison of 2020 Preliminary Budget to Adopted Budgets for 2019-2017;
- 2020 Preliminary Budget General Fund Revenue, Expenditure and Staffing Charts by Type and by Program;
- 2020 Budget Salary Worksheet Breakdown by Department/Fund; and
- 2020 Department Requests Over Base Preliminary Budget.

REVENUE BUDGET HIGHLIGHTS

In this preliminary roll up of the 2020 budget, General Fund Revenues are projected to total \$42,409,461, representing a \$1,811k or 4.46% increase over 2019 projected revenue expected (based on projections last updated in August), and a 2.27% increase over the 2019 originally adopted budget. In projecting revenues for 2020, given the increasing economic uncertainty centering around trade, the potential recessionary signals sent by the inverted yield curve developments seen earlier this year, a return of volatility in the equity markets, and the slow-down in real estate activity-driven REET collections in 2019, we assumed a deceleration of the strong economic activity seen thus far in 2019, albeit we did not assume a recession next year.

Tax revenues are projected to increase \$519k or 2.57%. Property taxes are projected to increase \$336k or 3.15% as we assumed the County took its allowed for 1% annual levy growth limit, as adjusted for new construction, allowed for under statute. The remainder of tax revenue growth came principally from sales-driven taxes (local retail and juvenile correction sales and use taxes) which were assumed to grow at a more modest 2% growth rate in contrast to the 6.4% year-over-year growth rate seen this year.

The other principal driver in revenue growth in 2020 relates to a \$920k increase in Transfers In to the General Fund, relating specifically to the spill-over of the Lower Dungeness Project which was largely delayed in 2019 due to permitting delays. This increase in Transfers In is fully offset by a corresponding increase in Transfers Out to the Lower Dungeness Fund, making this a cash flow neutral event for the General Fund. Intergovernmental grant revenues are projected to decrease \$228k mainly due to lower grants in juvenile services (CASA, uncertainty around SBHO Title 19 funding) and other areas, as partly offset by \$130k in growth from PILT, PUD Privilege Tax, Criminal Justice, Marijuana and Liquor related excise taxes. Charges for Goods & Services are projected to show minimal growth of \$148k or 1.66%, reflecting the impact of the \$300k assumed drop in Roads Payment for Traffic Policing from \$800k in 2017-2019 to \$500k in 2020. Misc Revenue, consisting mainly of interest income and parks camping fees, etc) is projected to grow \$100k, with modestly higher interest income forecast due to a change in how interest is apportioned to school districts by the Treasurer's office as partly offset by lower assumed interest rates earned next year in the WA state investment pool. Timber revenues to the General Fund are budgeted flat to 2019's adopted budget at \$600,000 based on a 2020 DNR timber forecast received in August totaling \$4.7 million, which is relatively flat with 2019 updated projections received.

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EXPENDITURE BUDGET HIGHLIGHTS

Turning to expenditures for the General Fund, our preliminary expenditure budget currently stands at \$43,411,036, an increase of \$3,679k or 9.26% from our 2019 projected expenditures, and an increase of \$864k or 2% over the original 2019 budget. When you exclude the impact of the Lower Dungeness-related increase in Transfers Out of \$935k, total expenditures are up \$2,744k or 7.1% to the 2019 forecast. The largest driver of the increase over 2019 projected is in Payroll and Benefits costs. Representing approximately 71% of our total expenditure budget, Payroll and Benefits are up 7.71% and 8.67%, respectively, to the 2019 forecast, mainly due to the fact that the budget assumes all budgeted staff positions are filled for the entire year, which clearly was not the case in 2019 due to the significant level of retirements, voluntary terminations and delays in filling positions during the year, leaving more open positions for the County during much of the year (this will likely re-occur in 2020, but currently unclear at what level). Also contributing to the increase is the impact of the elected official raises adopted via resolution in 2018 that continue to phase-in as newly elected or re-elected new pay rates kick-in, the full year impact of step raises and 1% COLAs adopted in mid-2019, and 1% COLAs again assumed in both January and July 2020. As compared to the 2019 original budget, Payroll is budgeted to increase 4.7%, while Benefits are budgeted to increase 1.7%. We have budgeted 4.35 more FTEs in 2020 as compared to the 2019 budget, with additions in Assessor (+1 FTE), Non Departmental (+1.5 FTE, mainly due to shifting of CFO from Auditor budget to Non Departmental and 50% of the new Senior Accountant position), Sheriff Ops (+1 FTE), and Jail Medical (+1 FTE), and HHS Environmental Health (+.5 FTE), as offset by reductions in Auditor (-.75 FTE). It is important to note that the preliminary budget does not factor in health insurance benefit rate increases, which will not be known until October and will be reflected in the Administrator Recommended Budget.

Other operating expenditures show slight decreases or modest growth from 2019 budget levels, with Supplies decreasing -1% and Services (including Intergovernmental which were previously reported separately until 2019 when they were combined into Services) are slated to grow a modest 2.7% in 2020. Within Services, it is important to note that General Fund payments to the Risk Management and Workers Compensation funds are currently flat to the 2019 budget at \$1,095k, with further evaluation needed to determine if there is an opportunity to potentially reduce once we have greater visibility of risk pool assessments later this year.

CONCLUSION/TAKE-AWAYS

Based on this preliminary revenue and expenditure budget, we project needing to use \$1,001,575 of general fund reserves to fully fund the 2020 budget. However, please 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 will likely increase the amount of reserves needed to fund, including:

- Capital requests--pending finalization of what capital outlay expenditures the Board approves to be funded through the General Fund in 2020, this will need to be layered into the General Fund budget as well as those other capital reserve funds to be utilized. Currently, only 2019 approved but unspent capital requests that will carry over to 2020 are reflected in the preliminary budgets for the REET 1 & 2, Parks & Facilities Capital Projects and IT Capital Projects funds (none in the General Fund). In 2019's adopted budget, \$445k of capital outlays were budgeted in the General Fund.

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- Department “asks” for 2020—as outlined in the attached “2020 Department Requests Over the Base Budget”, a total of \$1,777,839 of additional General Fund spending requests have been submitted, of which \$1,097,600 are one-time requests and \$680,239 are ongoing funding requests. Some of the larger requests include:
 - Prosecuting Attorney Ops—requesting \$421,752 of additional spending, including \$350,000 for expenses related to the multiple homicide cases being prosecuted;
 - Juvenile Services—requesting \$331,046 of ongoing spending relating to the hiring of two additional Juveniles Services Officers, two additional CASA Volunteer Coordinators, and one part time Administrative Assistant;
 - Superior Court—requesting \$158,595 of mostly one-time spending, with \$127,000 related to additional Indigent Defense adult felony, expert services and evaluations costs expected relating to the multiple homicide cases;
 - Department of Community Development—requesting \$259,550, of which \$210,000 of one-time consulting spending to fund studies of the PA UGA, inventorying and documenting infrastructure around the PA UGA and for other unanticipated consultant service needs, as well as additional ongoing funding for code enforcement;
 - Parks & Facilities—requesting \$96,993 of ongoing requests, consisting mostly of funding for an additional Maintenance Work FTE and a part time Customer Service I assistant;
 - Clallam Bay Sekiu Sewer Funding Support—requesting \$92,305 of subsidy from the general fund in 2020 to fully fund its operating budget for 2020 until the full impact of planned rate restructuring to be implemented in April 2020 puts the sewer fund in a better position to be self-supporting moving forward; and
 - SRF IT Equipment Requests—totaling \$260k of IT equipment, software, and copier replacement requests submitted for 2020.
- Indirect Costs—the current preliminary budget reflects the County’s prior methodology for allocating its indirect shared service costs incurred by the General Fund. We expect by the end of September to have a revised methodology plan developed for indirects, at which point we will be in a position to determine what adjustments are needed to the indirect cost budgets of each fund in the County.
- Funds Budgeted with Funding Gaps—in addition to the Clallam Bay Sekiu Sewer funding request noted above, the Parks and Facilities Capital Projects and IT Capital Projects funds are projected to need additional funding support in 2020 of approx. \$150k and \$128k, respectively, to cover the 2019 unspent capital requests that will carry over to 2020, whether that support comes from the General Fund, or from other sources (REET, Opportunity Fund, etc).

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- Historic Preservation—with the identification of over \$135k of unspent historic preservation funds earlier this year within the General Fund, further guidance/direction will be needed from the Board as to how much we would like earmark within the General Fund 2020 budget for historic preservation related projects, whether those be for eligible internal or external needs.

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

This is the preliminary rolled up budget for 2020. No budgetary impact until the final adopted budget is approved in December 2019.

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

County Official signature & print name:  Mark Lane _____

Name of Employee/Stakeholder attending meeting: _____ Mark Lane _____

Relevant Departments: _____

Date submitted:

September 4, 2019

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