



Board of Clallam County Commissioners

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05 December 2007

To: Interested Parties
From: Jim Jones, Jr., County Administrator
RE: 2007 Final Budget

Overview of the 2007 Budget

The 2007 budget provides for the delivery of key regional services to Clallam County residents and local services to unincorporated County residents. The 2007 General Fund budget responds to service demands with funding of required programs to an adequate level. These services and programs reflect the effects of growing costs to maintain programs as well as an upturn in revenues due to economic recovery through 2006, but expected to be flat in 2007.

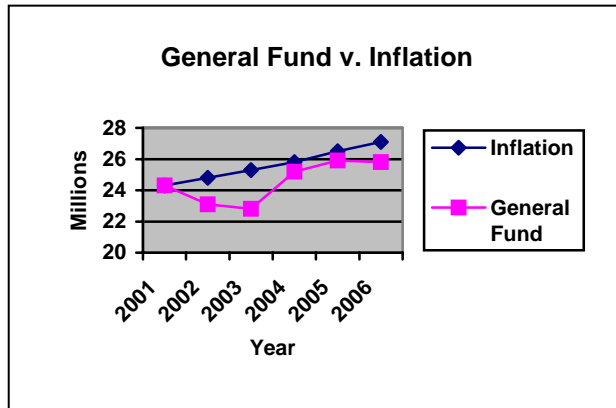
Expenditures in the General Fund are budgeted at \$29,430,692. Total expenditures reflect a 13.6% increase over the 2006 adopted General Fund budget, set at \$25,909,189, but nearly half of that increase is from "one-time" capital expenditures to increase efficiency in the future.

The final expenditure budget for all funds for Clallam County Government for 2007 is \$85,511,437. Programs proposed employ 404.9 FTE's (+ 6.75 Full Time Equivalent Employees more than 2006). Several positions have been added in 2007, 8.0 in Law and Justice programs, 1.5 in Public Health, 1.0 in Land Use and Development, and were partially offset by reductions in Information Technology and Roads.

Highlights of the 2007 General Fund Budget

- Maintenance of existing programs and services.
- General Fund reserves used to balance the budget for "one-time" expenditures only.
- Increased Law and Justice expenditures:
 - Third Superior Court Judge conditioned on future Law & Justice Committee recommendations
 - Jail Expansion
 - Juvenile Services increased
- Increased Elections expenditures.
- Additional software programs for Assessor and Clerk.
- Increased use of fees for services as opposed to general taxes.

Background



During calendar year 2001, County revenues began a downturn. Clallam County is not alone. Most counties have experienced recent revenue reductions, particularly rural, timber based counties. Clallam County, like most counties, is experiencing both the short term effects of economic downturn and the long term effects of revenue limits resulting from voter initiatives. The long term initiative caused limitations that will multiply themselves in future years as inflation outpaces limits on revenue. The Board of Commissioners recognized Clallam County's economic situation and responded in the next several years. Both the General Fund budget

and the budget as a whole were adopted at reduced levels. Reduction in authorized personnel occurred in both 2002 and 2003. County workforce was reduced from over 420 to 394 during those years.

Assumptions and Methodology

An underlying principle for revenue projections is that the revenue should be an amount, which is realistic and has not been over or underestimated. Property taxes for the Road Fund are proposed for a 1 percent increase beyond that for new construction. For the General Fund, tax collections are proposed to increase 1 percent in addition to that added because of new construction. The increase of 1 percent is the allowable increase in accordance with I-747.

Several other revenues are projected to show increases over 2006 due, primarily, to economic recovery in the community and world markets.

Accounting - General Fund

There are 66 funds used to run Clallam County government. The primary fund used to run most services citizens are familiar with is called the General Fund. Each fund has a balance, very similar to a checking account. The accrued balance, also called reserve, is the money the General Fund has on 1 January (the beginning balance) and the money the fund has remaining on 31 December (the ending balance). The county maintains written financial policies to manage the budget. It is the county's policy to maintain a minimum unreserved balance in the General Fund equal to 10 percent of the annual adopted budget in the fund. The status of the fund balance for the General Fund is as follows:

Beginning Balance projected-1 Jan 2007	\$7,787,298
Revenue Projected for 2007	\$27,946,708
General Fund Expenditures for 2007	(\$29,430,692)
Ending Fund Balance projected-31 Dec 2007	\$6,303,314
General Fund Reserves Used for "one-time" expenditures (\$1,608,939)	
Reserved for cash flow and emergencies	(\$2,500,000)
Projected Unreserved Ending Fund Balance on 31 December 2007	\$3,803,314
Ending Balance as a Percentage of the Budget	12.92%

Facilities Maintenance and Planning

As revenues to the County's General Fund decrease, maintenance of existing facilities and long term facilities planning have become increasingly difficult. Clallam County maintains a capital facilities plan that projects expenditures necessary for maintenance and capital improvements over 10 years. Even during times of reduction of government services, it is not prudent to ignore capital facilities maintenance or construction. To do so will only lead to greatly increased costs to citizens in years to come when non-maintained facilities require replacement.

The County maintains a capital facilities plan that anticipates the need for major repairs to existing facilities as well as planning into the future for capital projects such as infrastructure development, parks, jail expansion, service facilities, etc.

The 2007 proposed budget again utilizes the Real Estate Excise Tax Fund for construction and repair of the County's capital facilities. The fund will be used for the purpose intended under the statute that authorizes its creation, construction and repair of the County's capital facilities. These projects would not otherwise be completed since there is no other source of funding.

Other Funds

Roads - The Road Fund is proposed to spend \$21,339,136 a 41.7 percent increase over the 2006 adopted budget. This increase is due primarily to the Elwha Bridge replacement project. Similar to capital facilities, road maintenance and construction are also projected over a ten year period in the County's Transportation Improvement Plan. The plan is updated annually. Community meetings and public hearings are held each year to give the public input prior to adoption of the final plan.

Interoperability Grant - The total expenditure budget for 2007 is again inflated because the County received an interoperability grant from the Department of Homeland Security. The grant funds a communications project designed to improve emergency communications between public safety agencies across the Peninsula. Its completion has been extended another year.

Real Estate Excise Tax (second quarter) - The county adopted a second quarter percent Real Estate Excise Tax (REET 2) at the end of 2004. Like the first quarter percent, revenue varies with the success of the real estate market. Projects funded by REET 2 must be a part of the county's capital facilities plan and comprehensive plan. The Board's intent is to accumulate sufficient funds to have a significant impact on our ability to build a major infrastructure project. Examples may be sanitary sewer in Carlsborg, traffic control devices and intersections in Carlsborg, or an overpass at Deer Park and SR101. Project accounting has been initiated for each of those capital facilities. Small expenditures have been budgeted for 2007 from the REET 2 fund for examining sewer and traffic issues in the Carlsborg areas.

Opportunity Fund – \$3,500,000 of Opportunity Fund money is budgeted towards the \$5,500,000 EUGA Sewer Expansion Project on the east side of the Port Angeles City Limits. This is expected to contribute greatly to economic expansion in that area of the County.

Budget Information Sources

The County maintains full budget information on its web site at www.clallam.net under the "Public Participation" link. The site contains detailed functions of each department, goals for the coming year, and performance indicators for each department. The site also has a number of educational documents including a "Citizens Guide to the Clallam County Budget" that explains how taxes are levied, revenue sources, where property tax dollars go, and a number of other topics designed to help citizens understand the County's funds and budget.

Copies of the budget are also available for .15 a page from the Commissioners Office.