



AGENDA ITEM SUMMARY

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

Department: BOCC

WORK SESSION **Meeting Date:**

REGULAR AGENDA **Meeting Date:** 10/05/2010

Required Originals Approved and Attached?

Will be provided on:

Item Summary:*

- Call for Hearing
- Resolution
- Draft Ordinance

- Contract/Agreement/MOU**
- Proclamation
- Final Ordinance

- Contract #
- Budget Item
- Other Preliminary Budget Meeting

Documents exempt from public disclosure attached:

Executive Summary:

The 2011 Revised Preliminary Budget proposal is hereby presented for discussion as required by the Clallam County Home Rule Charter, and thus continues the budget adoption process that will result in a final, adopted budget on December 14, 2010.

General Fund Revenues are still being restrained by the weak economy, but we are projecting modest increases in Sales Tax revenues and the full 1% increase in Property Tax, as allowed by law. There has been a new, and very significant reduction to our Investment Income revenue line, caused by Federal Reserve policies and State banking regulations which together are hitting Counties particularly hard, as the services the Treasurer provides (for free to all the other taxing districts) are traditionally funded by the interest earned on these deposits. In our case, we are projecting a change in interest revenue from \$2,600,000 per year to only \$400,000 per year, a loss of \$2,200,000, or 7.2% of total General Fund Revenue.

On the expenditure side, we are faced with the first of three mandatory increases in payments to the State Retirement Fund. On July 1, 2011, the employer contribution to PERS will go from 5.31% of salaries to 8.70% of salaries, costing us around \$700,000 more, per year, County-wide. This is another significant problem and is only expected to get worse in the future as current projections from the Office of the State Actuary show that in order to keep the retirement fund solvent, the cost is going to 9.39% in 2012; 11.52% in 2013; and 11.57% in 2014.

So, what do we do to live within our means, without borrowing money, or raising taxes to deal with our \$2.6 million dollar shortfall? We clearly cannot afford to keep doing what we have always done, as demands for continuing service will cost much more than projected revenues can keep up with. We have to cut expenditures by reducing staff and services.

Clallam County has been very frugal over the last 3 years, cutting non-critical expenditures and eliminating any new staff hires (except for temporary, grant funded positions), freezing replacement

* Submit original and 5 copies

** Submit 3 originals and 5 copies

hires due to attrition whenever possible (12 FTE less since last year) and it is still not enough. We have to cut more. This preliminary budget proposes that we will take 3% cuts, across the board, in all General Fund Departments, saving approximately \$1,000,000, and use another \$1,600,000 from reserves (that were saved during better economic times) to balance the budget. Each Department Head and Elected Official will make their recommendations as to how best to achieve the desired net savings, whether by cutting expenditures or increasing revenue (without raising taxes). We will have the next two months to work out the details of what any service reductions will look like in 2011, and the next two years to determine more specific "priorities in government" reductions to be made to deal with the reality of revenue reductions in the future. This proposal should allow the County to maintain services in every department, without significant lay-offs during this very difficult job market, but will require staff reductions through attrition by maintaining a hard hiring freeze in every General Fund Department for the next couple of years. If the economy improves more quickly or more fully than is expected, and revenues come in higher than anticipated, future reductions in staff and services can more easily be avoided as we go along. Please review the attached budget schedule data and feel free to ask me, or our Budget Director, Kay Stevens any questions.

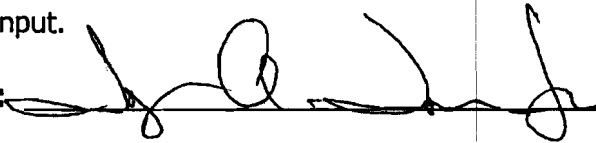
Budgetary Impact:(Is there a monetary impact? If so, are funds for this already allocated or is a budget change necessary? If this is a contract and a budget change is necessary, the budget change form must be submitted with the item at work session and for the regular agenda) **If a budget Action is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

This is the 2011 Revised Preliminary Budget.

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

Ask any questions, take public input.

County Official Signature:



Date Submitted: 10/04/2010

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