



Board of Clallam County Commissioners

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21 November 2007

To: Interested Parties
From: Jim Jones, Jr., County Administrator
RE: 2008 Budget Message

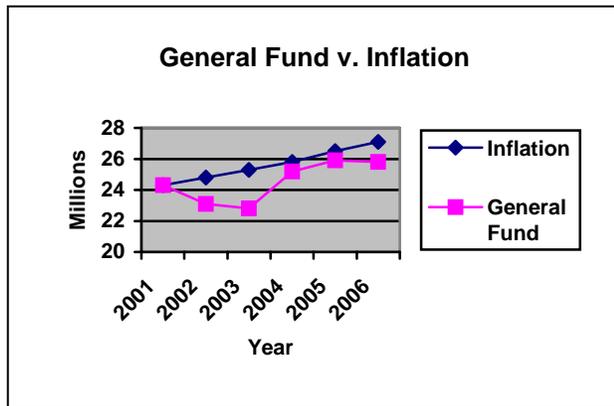
Overview of the 2008 Budget

The 2008 budget provides for the delivery of key regional services throughout Clallam County and local services to unincorporated County residents at the same levels as in 2007, but requires the one-time use of \$1,475,000 in reserve funds to do so. This use of reserves cannot be sustained, in future years, without some new source of revenue. We will transfer \$900,000 from General Fund Reserves to the Road Department, replacing the loss of the Secure Schools program through Federal Forest funding, and will transfer \$575,000 from the Criminal Justice Fund in order to maintain the following General Fund programs: Sheriff Operations - \$200,000; Sheriff Jail - \$150,000; Prosecutor - \$200,000; Superior Court Clerk - \$25,000. Maintenance of these services and programs reflects the effect of growing inflationary costs that are simply not made up by the 1% increase in property and road tax revenues allowed under the I-747 replacement legislation, along with small or no increases in other revenues due to flat economic projections for 2008. Expenditures in the General Fund are budgeted at \$30,911,272, of which \$1,944,585 has been allocated for "one-time" expenditures. The Total 2008 Budget for all funds in Clallam County Government is \$84,680,715. This amount is **\$830,722 less** than last year, reflecting the "hold-the-line" approach we took in building this year's budget. Programs proposed, employ 409.02 FTE's (an increase of 4.09 from 2007). While there is some shifting of staff and cuts being made in various support programs, Law and Justice program areas actually increased by 8.14 FTE's as the County responds to increased service demands in those critical areas.

Highlights of the 2008 General Fund Budget

- Maintenance of existing service levels with increases primarily in the Law and Justice areas.
- General Fund reserves used to balance the budget for "one-time" expenditures and transfers only.
- Increased Law and Justice expenditures:
 - Added 3rd Superior Court Judge staff and operational costs
 - Jail Expansion-related staffing and operational increases
 - Juvenile Services staffing increases
 - Increases in Prosecutor and Public Defense personnel costs
 - Increased District Court staffing
- New software programs for Assessor and Treasurer

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 over the next several years. Both the General Fund budget

and the budget as a whole were adopted at much reduced levels. Major reductions in authorized personnel occurred in both 2002 and 2003. Overall, County workforce has been reduced from 422.10 in 2001 to 409.02 in 2008.

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 one percent increase beyond that for new construction. For the General Fund, tax collections are also proposed to increase one percent in addition to that added because of new construction. The increase of one percent is being recommended by Governor Gregoire even though I-747 was found to be unconstitutional, pending new rules from the 2008 Legislative session. Most other revenues are projected to be flat or show slight decreases from 2007 due, primarily, to the projected decrease in local economic conditions in 2008.

Accounting - General Fund

There are 62 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 ten 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 January 2008	\$8,719,500
Revenue Projected for 2008	\$29,452,274
General Fund Expenditures for 2008	(\$30,911,272)
Ending Fund Balance projected-31 December 2008	7,260,502
General Fund Reserves used for "one-time" expenditures (\$1,458,998)	
 Reserved for cash flow and emergencies	 (2,500,000)
 Projected Unreserved, Ending Fund Balance-31 December 2008	 \$4,760,502
Ending Balance as a Percentage of the Budget	15.40%

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 ten 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 2008 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 \$26,832,595 a 25.7 percent increase over the 2007 adopted budget. This increase is due primarily to the Elwha Bridge replacement project and the significant increase in fuel and other "oil-related" products used to maintain County roads (i.e. "chip seal"). Similar to capital facilities, road maintenance and construction are also projected over a six 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 2008 is again inflated because the County received another 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 2008 from the REET 2 fund for examining sewer and traffic issues in the Carlsborg areas.

Opportunity Fund – \$150,000 of Opportunity Fund money is budgeted towards finishing the \$5,900,000 EUGA Sewer Expansion Project on the east side of the Port Angeles City Limits.

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.