



AGENDA ITEM SUMMARY

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

Department: BOCC

WORK SESSION **Meeting Date:**

REGULAR AGENDA **Meeting Date:** 09/06/2011

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 type="checkbox"/> Budget Item |
| <input type="checkbox"/> Draft Ordinance | <input type="checkbox"/> Final Ordinance | <input checked="" type="checkbox"/> Other Preliminary Budget Meeting |
- Documents exempt from public disclosure attached:

Executive Summary:

The 2012 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 13, 2011.

General Fund Revenues are still being held back by the weak economy, and we are now expecting a smaller increase in sales taxes, due to the dam removal project, than was previously estimated. We are projecting the full 1% increase in property tax, as allowed by law (about \$90,000), and a little increase in timber sales, but not much else. The big changes in Revenue are the cuts we are receiving from the state in grants and contracts for services, losing \$520,303 (-5.2%) from last year's budget, together with continuing reductions in treasurer's interest (now down \$2,300,000 per year from the high in 2007) to only \$200,000, and a significant reduction in fines and forfeits as more and more people are choosing to perform community service rather than pay for their traffic tickets with cash. Total General Fund Revenues are projected at \$30,323,289, down 2.52% (\$783,155 less) from last year.

On the expenditure side, as we are now paying the first of three mandatory increases in payments to the state retirement fund, and dealing with the effects of a 3.7% Consumer Price Index change, salaries and benefits costs are going up by \$737,197 (3.24%), from last year. Total General Fund Expenditures only go up by \$518,779 (1.59%) to \$33,050,019, because of reductions in contracted services, supplies and interfund payments already in this budget proposal. This leaves a \$2,726,730 shortfall that we have to deal with. 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 hires due to attrition whenever possible, and actually laying off some last year, resulting in total staff reductions of 27.38 FTE since 2009, and it is still not enough. While we could use up the rest of our available "rainy day" reserves (that were saved during better economic times) to balance the \$2.7 million shortfall, bringing us dangerously close to our lawfully required minimum of \$6,500,000. This would eliminate our ability to pay for urgently needed capital replacement projects (like our core computer system) without borrowing money, and would only delay the inevitable cuts by one year. We need to reduce expenses, or increase revenues, or some

* Submit original and 5 copies

** Submit 3 originals and 5 copies

combination of both, and make the decisions right away. We will have the next two months to work out the details of what any immediate service reductions would look like in 2012, and the next 12 months to determine more major "priorities in government" reductions, and/or tax increase requests from the voters, to deal with the reality of these permanent revenue reductions in the future. 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 2012 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: 08/31/2011