

**JEFFERSON COUNTY
BOARD OF COUNTY COMMISSIONERS**

AGENDA REQUEST

TO: Board of County Commissioners
Josh D. Peters, County Administrator

FROM: Judy Shepherd, Finance Director

DATE: July 21, 2025

SUBJECT: 2026 Budget Goals and Objectives

STATEMENT OF ISSUE:

The Board of County Commissioners adopts a resolution at the beginning of every budget cycle to establish Budget Goals and Objectives with Budget Preparation Guidelines for departments and elected offices as they work to prepare a balanced Jefferson County Budget for the fiscal calendar year 2026. The attached resolution would establish Budget Objectives and Procedures for the 2026 Annual Budget Cycle.

ANALYSIS:

The proposed resolution provides proposed guidelines for preparing the 2026 Annual Budget. It addresses the county's current financial realities and supports a focus on improving our five-year projection. A few highlights are listed below:

- Unreserved Fund Balance – We anticipate using a portion of the projected year-end 2025 General Fund balance to present a balanced budget.
- 2026 Departmental Budgets within the General Fund:
 - Departments will identify non-discretionary expenditures and request additions to their budgets for any non-discretionary expenditures using the General Fund Add Request Form.
 - Discretionary expenditures shall have no increase, and departments are encouraged to reduce these expenditures to address any expected increases to non-discretionary expenditures.
 - Included in the budget strategy will be a proposed staffing pause policy (a form of hiring freeze), which will be considered by the Board in a separate resolution.
 - Capital Expenditure limit will be set at \$10,000; expenditures over this amount will have an approval process.
- Other Funds:
 - Transfers to other funds will be set back to zero budget and only may be requested in accordance with the General Fund Financial Assistance Policy.
 - The Road Fund Diversion will maintain at \$520,000 for the Preliminary Budget and is subject to

be reviewed for the final 2026 Recommended Budget.

- The transfer of Payment in Lieu of Taxes (PILT) from the General Fund to Roads will be the same as 2025, set to match the funds in the proposed budget for the reduction of \$750,000 in Secure Rural Schools (SRS) funding.

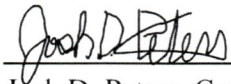
FISCAL IMPACT:

The Resolution supports adopting a balanced 2026 Annual Budget.

RECOMMENDATION:

Adopt the proposed Resolution establishing the attached Goals and Objectives with Budget Preparation Guidelines for the 2026 Annual Budget.

REVIEWED BY:



Josh D. Peters, County Administrator

7/17/25

Date

STATE OF WASHINGTON
County of Jefferson

In the Matter of Establishing Goals and	}	
Objectives with Budget Preparation Guidelines	}	RESOLUTION NO.
for the 2026 Annual Budget	}	

WHEREAS, Jefferson County rescinded Jefferson County Code, Section 3.01.020 to re-establish an annual budget;

WHEREAS, the Board of County Commissioners continues its efforts to improve compensation for county employees to improve retention of existing employees; and

WHEREAS, limiting the growth of department and elected office non-salary and benefits budgets makes possible improvements in compensation and provides a hedge against an economic downturn and expected reductions in Federal and State funding; and

WHEREAS, we have an obligation to account for these fiscal realities as we prepare the 2026 Annual Budget;

NOW, THEREFORE BE IT RESOLVED, that the Board of Commissioners of Jefferson County does hereby establish the following objectives and procedures to guide the development and adoption of the 2026 Annual Budget:

I. GOALS AND BUDGET OBJECTIVES

- 1. Balanced Budget** – The budget, when adopted, shall be balanced within available resources. In addition to annual fiscal objectives, there should also be a focus on long-term financial analysis. The County shall continue to use multi-year budget forecasting for analyzing impacts the current budget will have on future revenues and expenditures.
- 2. Use of Unreserved Fund Balance** – We anticipate using a portion of the projected year-end 2025 General Fund balance to present a balanced budget. In the event of unforeseen circumstances, up to half of the estimated unreserved fund balances to balance the General Fund budget is available if needed.
- 3. Property Taxes** – Growth in property taxes for the General Fund, Road Fund, and Conservation Futures Fund shall not exceed the 1% limit, plus taxes collected on new construction.
- 4. Sales Taxes** – The County shall budget and administer General Fund sales tax revenues including taxes consistent with Jefferson County Resolution No. 32-10 (Special Purpose Tax levy resolution).
- 5. Extraordinary General Fund Revenues** – Continue to use available General Fund revenues such as federal Payment in Lieu of Taxes (PILT) to support Board of County Commissioners objectives and County Strategic Plan goals. Some General Fund revenues are volatile, varying significantly year-to-year (e.g., private timber harvests, DNR Forest Board Trust revenue, and investment income), and some are non-recurring. If revenues are received above the adopted 2026 Original Budget, the excess shall be dedicated to backfill shortfalls in other General Fund revenues first, and remaining excess revenue may be dedicated for any of the following purposes: Capital Improvement Program; Construction and Renovation Program, other one-time costs

(including staffing expenditures to address retirement transitions), and for additional reserves to backfill future revenue shortfalls from volatility. Certain non-recurring revenues that are intended to pay for or reimburse the County for services it provides (e.g., state extraordinary justice appropriation) may also be retained in the General Fund for those purposes.

6. Extraordinary Other Fund Revenues

The County is expected to establish a replacement reserve and emergency fund for the Port Hadlock Sewer in an amount of not less than \$500,000. The sewer project has generated construction sales tax revenue and the majority of the construction is expected to be completed in 2025. The expectation is to fund by depositing up to \$250,000 in 2025 and 2026.

- 7. Road Fund** – If funding allows, the Board of County Commissioners may transfer a portion of PILT to the Road Fund to make up for as much as possible of any amount below \$750,000 in 2026 that Secure Rural Schools or Federal Timber revenues contribute to the Road Fund. In 2026, \$520,000 of the Road Fund levy shall continue to be diverted to the General Fund to be used only for road traffic safety enforcement consistent with state law.
- 8. Board of County Commissioners Priorities** – Priority for budget focus is to “maintain what we have.” This is clear communication of the Board of County Commissioners.
- 9. County Strategic Priorities** – The County’s Strategic Priorities, outlined in the County’s Strategic Plan, are important strategies as continued progress is being made in the areas of community resilience, economic viability, environmental stewardship, housing accessibility, organizational health, and thriving people.
- 10. Maximize Grant Funding** – The County will continue to maximize its efforts to obtain grant funding, whenever possible.
- 11. General Fund (001) Preliminary Budget** – All departments shall prepare preliminary budgets consistent with the following steps listed in Section II Budget Preparation Guidelines of this document. In addition, all of the following requirements shall apply:
 - a. 2026 Salary budget projections shall be prepared by the Finance Director.
 - b. Internal Service cost for Facilities, Information Services, and Equipment Rental (ER&R) allocations for 2026 shall be provided by these funds.
 - c. 2025 Quarterly Appropriations shall be applied as follows:
 - i. One-time appropriations to department budgets in 2025 shall not be included in the 2026 base budget.
 - ii. Resolutions for on-going appropriations shall be included in 2026 base budget.
 - iii. Appropriation #3 approved on-going appropriations shall be added to the 2026 Recommended Budget.
 - iv. The 2025 Final Appropriation approved on-going appropriations shall require a 2026 1st Quarter Appropriation.
 - d. General Fund add requests shall be submitted for externally driven, non-discretionary and discretionary costs using the General Fund Add Request Form.

- e. To provide collaboration within General Fund Departments, there shall be three opportunities to discuss process and challenges, working together to provide a balanced budget.

12. Other Funds (104-507) Preliminary Budget – Funds shall prepare preliminary budgets consistent with the following steps listed in Section II Budget Preparation Guidelines of this document. In addition, the following will apply:

- a. All operating transfers from the General Fund to other funds in 2026 shall be reviewed. All new and existing transfer requests shall be required to submit in compliance with the General Fund Assistance Policy.
- b. Budgets for other funds shall be prepared as balanced budgets.
- c. All increases, including any wage and benefit increases, shall be absorbed within available resources or offsetting cost reductions within that fund.
- d. Recommended reserves shall be maintained for each fund as established by Resolution 41-19. Where fund reserves are below targets, funds shall submit a plan and schedule to restore reserves as soon as practicable.
- e. Fees shall be set at levels that recapture the cost of the service being provided, where possible.

II. BUDGET PREPARATION GUIDELINES

- 1. Overview.** Budget requests shall be prepared in a consistent, public friendly format that clearly identifies the resources needed and the services to be provided by each program.
- 2. Format and Schedule.** Departments shall prepare budgets following the standard format and schedule provided to them in the ‘Call for Budgets’ from the County Auditor, including, when applicable, General Fund Add Request (see # 4. below). Departments shall be scheduled to present their proposed 2026 budgets to the Board of County Commissioners in October 2025.
- 3. Budget Narratives.** Departments, funds, or each major division or program within each department shall prepare a narrative, telling a story that is easy to understand:
 - a. The department’s mission statement in a clear concise statement explaining the purpose of the division or program.
 - b. Departmental and program revenues, expenditure summaries and impacts anticipated by increased or decreased funding.
 - c. Include graphs, photos, that help with present the story.
- 4. Additions to General Fund Base Budgets.** General Fund Departments requesting a one time or ongoing increase to their base budget in 2026 shall use the General Fund Add Request Form to request, designated by non-discretionary or discretionary. This form will also be used for Capital Expenditures.
- 5. General Fund transfers.** Funds requesting a General Fund transfer shall submit in accordance with the General Fund Assistance Policy. All funds previously receiving an operating transfer shall also be required to submit in accordance with the policy.

6. Preliminary Budget process:

- Preliminary budgets shall be transmitted to the County Auditor on or before September 2, 2025. Once the preliminary budgets are provided by the Auditor to the County Administrator and Board of County Commissioners on September 30, 2025, proposed revenues and expenditures for each Fund or Department shall be reviewed for their impacts on the County's financial health for the next five years.
- Following department budget presentations to the Board of County Commissioners, the County Administrator and Finance Director shall prepare a 2026 Recommended Annual Budget, incorporating Board of County Commissioners decisions/guidance for review, a public hearing, and final action by the Board of County Commissioners.

APPROVED this 21 day of July 2025:

SEAL:

JEFFERSON COUNTY
BOARD OF COMMISSIONERS

Heidi Eisenhour, Chair

ATTEST

Greg Brotherton, Member

Carolyn Gallaway, CMC
Clerk of the Board

Heather Dudley-Nollette, Member