

**JEFFERSON COUNTY
BOARD OF COUNTY COMMISSIONERS
REGULAR AGENDA REQUEST**

TO: Board of County Commissioners
FROM: Mark McCauley, County Administrator
DATE: July 17, 2023
RE: Resolution Establishing Budget Objectives and Procedures for the 2024-2025 Biennial County Budget

STATEMENT OF ISSUE:

The Board of County Commissioners adopts a resolution at the beginning of every budget cycle to establish Budget Objectives and Procedures for Commissioner departments and elected offices as they work to prepare a balanced Jefferson County Budget for the upcoming budget period. The attached resolution would establish Budget Objectives and Procedures for the 2024-2025 budget cycle.

ANALYSIS:

The proposed resolution provides guidelines for preparing the 2024-2025 biennial budget. It addresses the County's current financial realities and as well as supporting a continued focus on long term financial analysis as a way of balancing the budget for current and future years.

Highlights of the objectives in the resolution:

- Unreserved General Fund Balance – Anticipate using a small amount of the projected year-end 2023 General Fund balance in 2024 and a small amount of the 2024 projected year-end General Fund balance in 2025. 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.
- Extraordinary General Fund Revenues – Begin to use available General Fund revenues such as federal PILT to support Board of County Commissioner objectives such as funding key new positions or improved employee compensation.
- 2024 and 2025 Base Budgets within the General Fund
 - The Base budgets for departments and branches within the General Fund will include all adopted collective bargaining agreement wage adjustments and step increases. Where there is no ratified agreement and contingent on the BOCC authorizing steps, the budget will reflect step increases only. Base budgets also include 3.00% and 2.0% general wage adjustments (sometimes referred to as COLA) for non-union positions and step increases for 2024 and 2025, respectively, which may be adjusted based on the results of our collective bargaining negotiations and the state of the economy. Base budgets for 2024 and 2025 will include cost allocations for Information Services, Fleet Services and Facilities, and a 1.5% increase in non-labor costs. Departments may request additional funds beyond the 1.5% by submitting a Form A: General Fund Add Request.
 - General Fund Transfers to other funds will be held to the 2023 base budget level.
- Other Funds – budgets for other funds will include transfers at the 2023 budget level from the General Fund in 2024 and 2025. However, departments may request additional funds in accordance with the General Fund Financial Assistance Policy.
- The transfer of Payment in Lieu of Taxes (PILT) monies from the General Fund to Public Works will be sufficient to increase the Secure Rural Schools/PILT amount by 3% in both 2024 and 2025.

- The Road Fund Diversion will stabilize at \$620,000 but will be reevaluated mid-biennium.
- Financial staff will monitor department budgets and will consider increases to non-salaries and benefits budgets and transfers on a case by case basis.

The proposed Resolution was previously shared with the County's Budget Committee via email.

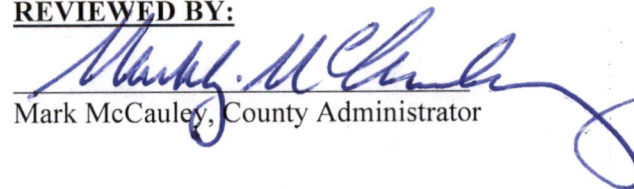
FISCAL IMPACT:

The Resolution supports adopting a balanced 2024-2025 Jefferson County Biennial Budget.

RECOMMENDATION:

Adopt the proposed Resolution establishing 2024-2025 Biennial Budget Objectives and Procedures.

REVIEWED BY:


Mark McCauley, County Administrator

Date

7/13/23

STATE OF WASHINGTON
County of Jefferson

**In the Matter of Establishing Objectives}
and Procedures for the 2024-2025 }
Biennial Budget }**

RESOLUTION NO. __-23

WHEREAS, Jefferson County must adopt a biennial budget for calendar years 2024 and 2025; and

WHEREAS, department directors and elected officials need objectives and procedures established by the Board of County Commissioners in order to prepare and submit their proposed budgets; and

WHEREAS, there are conflicting economic indicators making financial forecasts uncertain; and

WHEREAS, the Board of County Commissioners is endeavoring to improve compensation for county employees to improve recruiting of new employees and 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

WHEREAS, as stewards of the public purse we have an obligation to account for these fiscal realities as we prepare the 2024-2025 Biennial 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 2024-2025 Biennial Budget:

I. FISCAL BUDGET OBJECTIVES

- 1. Balanced Budget** - The budget, when adopted, will be balanced within available resources. In addition to annual fiscal objectives, there should also be a focus on long-term financial analysis. The County will 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 small amount of the projected year-end 2023 General Fund balance in 2024 and a small amount of the 2024 projected year-end General Fund balance in 2025. 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 consistent with Jefferson County Resolution No. 32-10 (Special Purpose Tax levy resolution).
- 5. Extraordinary General Fund Revenues** – Begin to use available General Fund revenues such as federal PILT to support Board of County Commissioner objectives such as funding

key new positions or improved employee compensation. Some General Fund revenues vary significantly year-to-year-e.g. private timber harvests, DNR Forest Board Trust revenue, investment income, etc. - or are non-recurring. If those revenues are received above the adopted 2024-2025 budget, the excess will be dedicated to backfill shortfalls in other General Fund revenues first, and any 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 -

Investment in Wastewater Treatment Infrastructure in Port Hadlock

Public Works will receive substantial grant and loan funding for construction of the long-anticipated Port Hadlock sewage treatment facility, which is expected to come on line in 2025. The County Treasurer is securing a line of credit to help provide liquidity for the construction portion of the project. The County will need to identify funds to subsidize the facility early in its life as its customer base grows.

7. **Road Fund** – As funding allows, the BoCC intends to transfer a portion of PILT to the Road Fund to make up for as much as possible of any amount below \$556,429 (3% increase over 2023) in 2024 and \$573,122 (3% increase over 2024) in 2025 that Secure Rural Schools or Federal Timber revenues contribute to the Road Fund. In 2024 and 2025, \$620,000 of the Road Fund levy will be diverted to the General Fund to be used only for road traffic safety enforcement consistent with state law.
8. **County Strategic Priorities** – The County’s Strategic Priorities, subject to the Board’s adoption of the Strategic Plan, include:
 - a. **Improve Community Resilience:** Offer a dynamic and equitable array of health and safety services to enhance livability in our county;
 - b. **Economic Viability:** Support and promote a dynamic regional economy that creates opportunities for prosperity for all the people and businesses of our county;
 - c. **Environmental Stewardship:** Build climate resilience while protecting and preserving our natural areas and resources and improve access to shared natural spaces to enhance the experience of county residents;
 - d. **Housing Accessibility:** Improve the availability of and access to affordable and workforce housing throughout the county;
 - e. **Organizational Health:** Implement flexible, creative and diverse methods of attracting, training, retaining and communicating with our workforce so that people feel valued and recognized;
 - f. **Thriving People:** Promote a sense of belonging so that residents and visitors feel welcomed to share in the many activities, opportunities and experiences available across Jefferson County.

9. Departmental Preparation of Preliminary Budgets - Departments should prepare preliminary budgets consistent with the following guidelines:

Prepare departmental preliminary budgets following steps listed in Section II. Budget Preparation of this document.

- a. For the Preliminary Budget, union staff personnel costs (salaries, wages, & benefits) will be adjusted based on the rates of ratified labor agreements; including annual step increases. Where there is no ratified union agreement, the preliminary budget will reflect step increases only.
- b. Non-union wages and salaries for 2024 and 2025 shall include annual step increases, and wage adjustments consistent with the collective bargaining agreement ratified by the UFCW, which will be modified as necessary by a Resolution of the Board of County Commissioners.
- c. Any increase in the FTEs included in the 2024 and 2025 salary projections must be supported by a financial analysis showing that the FTE increase can be afforded in either year, and if ongoing, that it is sustainable in future years. Departments should refer to Resolution 01-14 which documents the guidelines for budgeting for replacement positions and new positions.
- d. Target base budget numbers and FTEs will be given to all General Fund departments for the preliminary budget on or about August 1, 2023. The target numbers will be for the 2024 and 2025 Base Budgets. The target numbers will be developed using:
 - 2024 and 2025 Salary budget projections prepared by the Finance Manager.
 - Facility, Information Services and ER&R cost allocations for 2024 and 2025.
 - Other costs will be increased by 1.5% for both 2024 and 2025. Add requests may be submitted for externally driven, non-discretionary costs.
 - Transfers from the General Fund to other operating funds in 2024 and 2025 will remain at the 2023 level. Departments requesting an increase shall comply with the Policy for Assistance from the General Fund.
 - One-time expenses allocated to departments in 2023 will not be included in the 2024 base budget. Similarly, one-time expenditures added in 2024 will not carry over into 2025.
 - Financial staff will monitor department budgets and will consider increases to non-salaries and benefits budgets and transfers on a case by case basis.
- e. Departments are encouraged to collaborate to achieve budget targets.
- f. Budgets for other funds shall be prepared as balanced budgets.
 - All increases, including any wage and benefit increases, will be absorbed within available resources or offsetting cost reductions within that fund.
- g. Recommended reserves shall be maintained for each Fund as established by resolution. Where fund reserves are below targets, departments shall submit a plan and schedule to restore reserves as soon as practicable.

- h. Fees - Set fees at levels that recapture the cost of the service being provided, where possible.

II. BUDGET PREPARATION

1. **Overview.** Budget requests shall be prepared in a consistent, citizen 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, Form A: General Fund Add Request (see # 4. below). Departments will be scheduled to present their proposed budgets to the Board of County Commissioners in early October.
3. **Budget Narratives.** Each department and each major division or program within each department shall prepare a narrative using an easy to understand format of your choosing for the benefit of the Board of Commissioners, which shall include:
 - a. The department's mission statement in a clear concise statement explaining the purpose of the division or program.
 - b. The department's staffing requirements for the coming two years.
 - c. Departmental and program revenues and expenditure summaries and impacts anticipated by increased or decreased funding.
4. **Additions to General Fund Base Budgets.** Departments in the General Fund requesting a one time or ongoing increase to their base budget will use Form A: General Fund Add Request to request the increase. General Fund Add Requests will be accepted for both 2024 and 2025. Add Requests for 2025 submitted in 2023 will be held for the mid-biennium review and modification process occurring in 2024. Additional Add Requests for 2025 may be submitted in 2024 for the mid-biennium review and modification. Departments requesting an increase in a General Fund transfer may request additional funds in accordance with the General Fund Assistance Policy.
5. **Preliminary Budget process:**
 - Preliminary department budgets shall be transmitted to the County Auditor on or before noon on September 5, 2023. Once the preliminary department budgets are provided by the Auditor to the County Administrator and Board of County Commissioners on September 29, 2023 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.
 - If reduction or enhancement targets are established for functional groups of departments (i.e.: Law & Justice, Administrative Services, and Community Services), the County Administrator may ask departments to meet with the other departments within their functional group to recommend how such cuts or adds should be distributed to one or more departments in the group.
 - Following department budget presentations to the Board of County Commissioners, the County Administrator shall prepare a Recommended 2024-2025 Biennial Budget incorporating Board decisions/guidance for review, a public hearing, and action by the Board of County Commissioners.

APPROVED this day of July, 2023:

SEAL:

JEFFERSON COUNTY
BOARD OF COMMISSIONERS

Greg Brotherton, Chair

ATTEST

Kate Dean, Member

Carolyn Gallaway
Clerk of the Board, CMC

Heidi Eisenhour, Member