

# First Quarter 2026 Financial Report

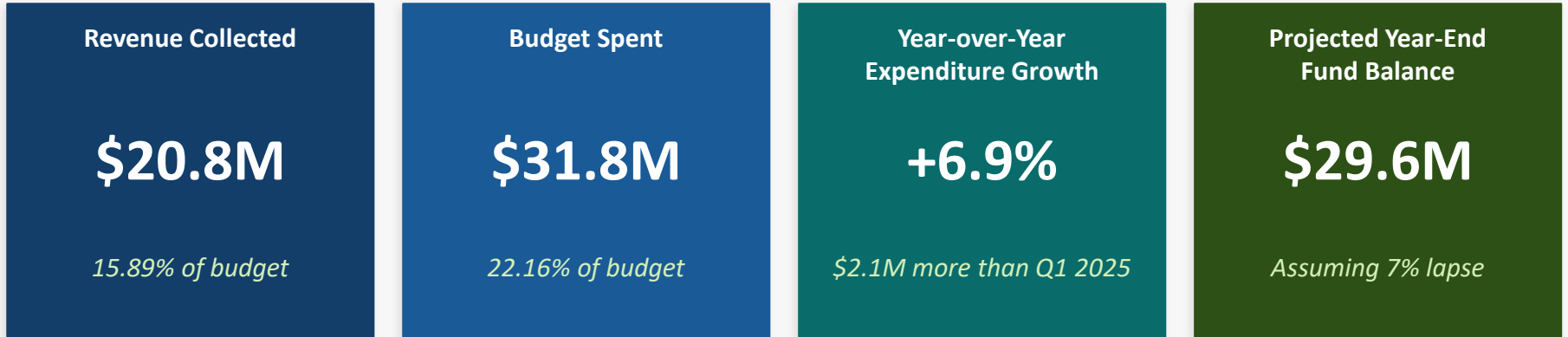
*June 9, 2026*

Council Finance & Administrative Services Committee  
Randy Rydel, Finance Director





# First Quarter 2026 — At a Glance



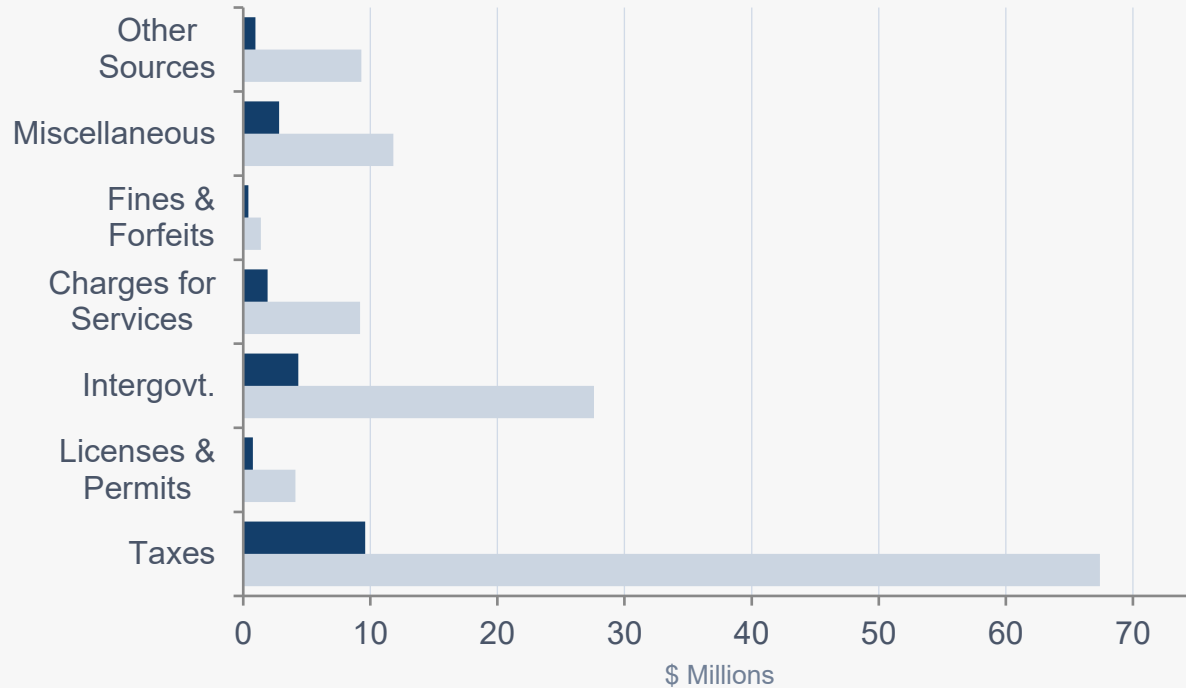
## Key Highlights

- General Fund revenues of \$20.8M are up slightly from \$20.6M in Q1 2025; performance is on track with historical patterns.
- Expenditure growth driven by employee step advances, cost-of-living adjustments, and expanded Public Defender operations.
- Two grant-funded project funds (Jail Reentry, Swift Creek) show temporary negative balances due to reimbursement timing — not a cash shortfall.
- Ferry Fund carries a seasonal, temporary negative balance due to the annual insurance payment before summer revenues have come in.
- Austerity measures are active. The County is monitoring expenditures closely heading into 2027 budget planning.



# General Fund Revenue — Budget vs. Actual

Q1 2026 Actual vs. 2026 Budget | \$20.8M collected (15.89%)



■ Q1 2026 Actual (\$ Millions)    ■ 2026 Budget (\$ Millions)

Category	% Collected	Prior Year
Other Sources	10.21%	7.35%
Miscellaneous	23.97%	25.58%
Fines & Forfeits	29.71%	25.35%
Charges for Services	20.73%	16.78%
Intergovernmental	15.75%	14.06%
Licenses & Permits	18.59%	13.64%
Taxes	14.21%	15.26%
<b>TOTAL</b>	<b>15.89%</b>	<b>15.82%</b>

# General Fund Expenditures — What's Behind the Numbers



## Systemwide Increases

- Employee step advancements
- Cost-of-living adjustments
- Inflationary increases on service contracts
- Most departments up modestly — consistent with prior years

## Noteworthy Changes

- Public Defender absorbed assigned counsel contracts from Superior Court Clerk — offsetting changes, no net county cost increase
- Non-Departmental: Jail transfers up \$1M vs. Q1 2025; E911 pass-through payments now recorded in General Fund beginning May 2025
- Prosecuting Attorney: New civil attorney position; significant retirement leave payouts

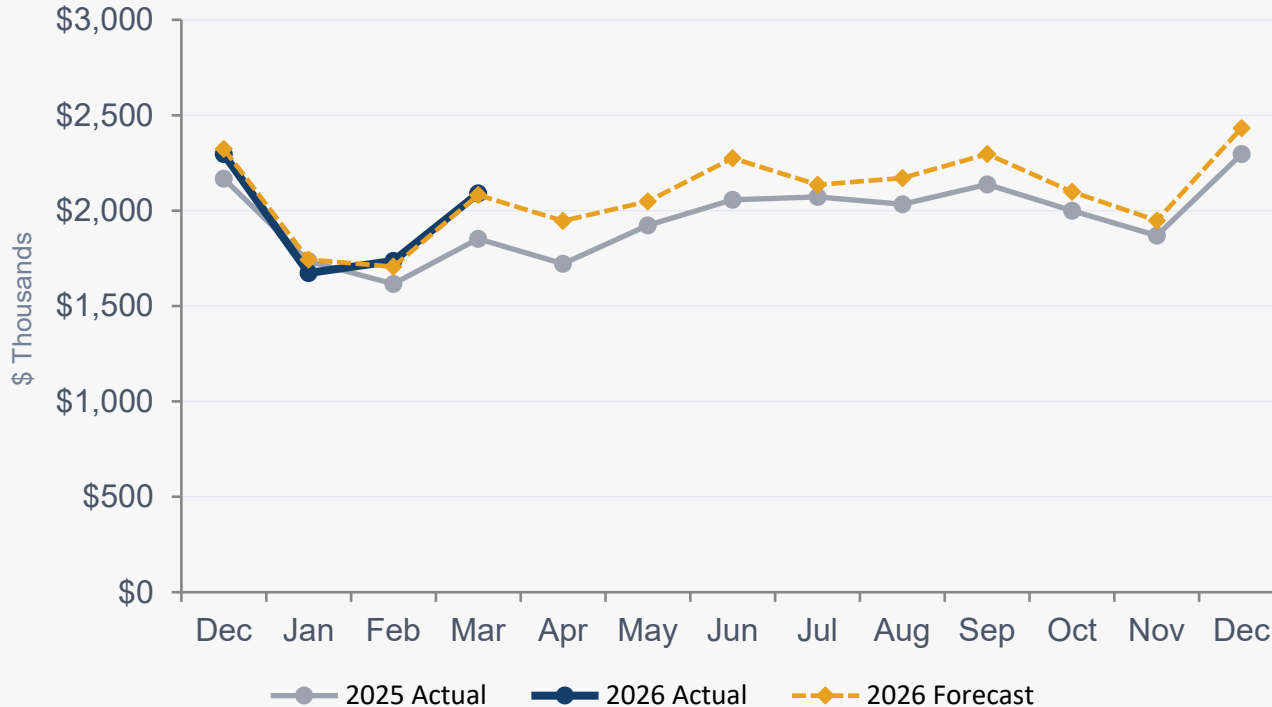
## Modest Decreases

- County Executive, Medical Examiner, Health & Community Services: Personnel vacancies holding costs down
- Planning & Development: Reduced comprehensive plan consultant spending



# Sales Tax Revenue — 2025 vs. 2026

Current growth rate: +5.7% year-over-year through March. If the trend holds, 2026 sales tax is projected at \$24.9M — approximately \$1.5M above 2025 and \$656k better than budget.



Q1 2026 Growth

**+5.7%**

*vs. Q1 2025*

Projected 2026  
Sales Tax

**\$24.9M**

*If trend holds*

Compared to 2025

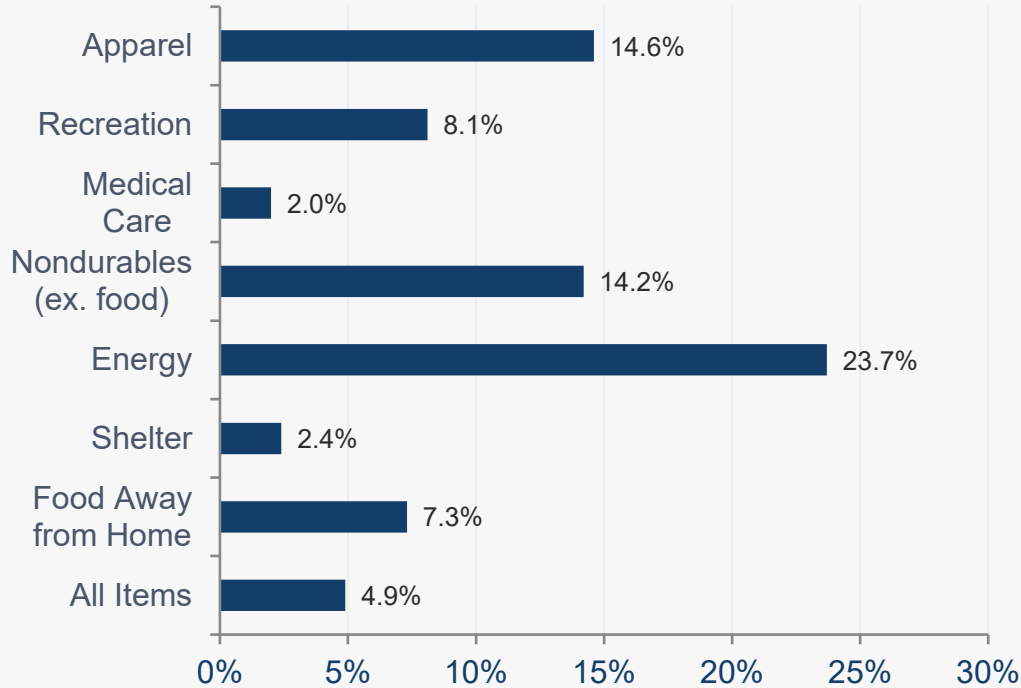
**+\$1.5M**

*Estimated annual gain*



# Economic Context: CPI & Sales Tax Drivers

Seattle-Tacoma-Bellevue CPI-U, April 2026 | Not Seasonally Adjusted



## What This Means for Sales Tax

**Taxable Spending:** Food away from home (+7.3%), recreation (+8.1%), and nondurables (+14.2%) are all taxable in WA — these are positive demand signals for sales tax.

**Energy & Fuel:** Gasoline up 25.7% YoY. Fuel purchases are taxable. Energy inflation may modestly boost tax receipts.

**Grocery Food:** At-home food fell 1.2% over two months. Groceries are not subject to retail sales tax in WA, so this has no direct revenue impact.

**Nominal vs. Real:** Overall CPI at 4.9% suggests much of the current sales tax growth reflects inflation rather than real volume increases.



# 2026 General Fund Year-End Projection

*Projected fund balance of \$29.6M — assumes 7% expenditure lapse, all approved supplementals, no additional austerity savings*

Item	Original Budget	Amended Budget
<b>Beginning Fund Balance (1/1/26)</b>	\$33,721,884	\$33,721,884
Total Revenue	\$130,707,550	\$130,839,358
Budgeted Expenditures	\$137,284,695	\$137,284,695
Continuing Appropriations	—	\$278,525
Supplemental Budgets (mid-biennium through report date)	—	\$7,568,659
Estimated Budget Lapse (7%)	(\$9,610,000)	(\$10,160,000)
<b>Total Expenditures</b>	\$127,674,695	\$134,971,879
<b>Projected Net Change in Fund Balance</b>	\$3,032,855	(\$4,132,521)
<b>Projected Ending Fund Balance (12/31/26)</b>	<b>\$36,754,739</b>	<b>\$29,589,363</b>

*Budget lapse is computed at a flat 7% of expenditures this early in the year. Active austerity measures may improve this estimate in subsequent quarters.*



# 2026 Supplemental Budget Actions — Notable Items

Supplemental Ordinances 3–8 | Through Q1 and post-Q1 through report date | Net fund balance effects shown

<b>General Fund – Post Mid-Biennium</b> <i>~\$1.5M net draw</i>	<b>Capital Programs</b> <i>~\$9.6M new authority</i>	<b>Special Revenue and Other Funds</b> <i>~\$7.2M net</i>
<ul style="list-style-type: none"><li>• Grant-funded additions for Sheriff programs, E911 services, and water adjudication — budget neutral, no fund balance impact</li><li>• Opioid settlement funds (\$1.3M) transferred to dedicated special revenue fund — technical reclassification, no new spending</li><li>• New appropriations: Emergency Management activities, generator maintenance, sheriff administrative investigation</li></ul>	<ul style="list-style-type: none"><li>• 32nd Street property acquisition — \$4.9M across Capital Facilities Reserve, REET II, and Public Utilities funds</li><li>• Courthouse Envelope project — \$2.05M (REET I/II)</li><li>• Elevator Replacement Program — \$1.67M (REET I)</li><li>• Smaller reappropriations for courthouse improvements, parks facilities, and stormwater projects</li></ul>	<ul style="list-style-type: none"><li>• Healthy Children's Fund — \$5.5M for early learning and vulnerable children's contracts (expected per fund purpose)</li><li>• Behavioral Health — \$1.3M for youth mental health services</li><li>• Conservation Futures — \$2.9M in grant revenue recognized against prior project expenditures (positive)</li><li>• Lummi Nation Lease — \$2.87M Road Fund final payment closing out long-term capital lease</li></ul>

*Budget-neutral grant items increase total appropriations but do not affect projected ending fund balances. Capital figures draw on dedicated capital reserves, not the General Fund.*

# Thank You

Questions?