

2025-2026 Biennial Budget Discussion

SPECIAL COMMITTEE OF THE WHOLE

SEPTEMBER 10, 2024



Overview of Discussion

“A true structurally balanced budget is one that supports financial sustainability for multiple years into the future...” Government Finance Officers Association

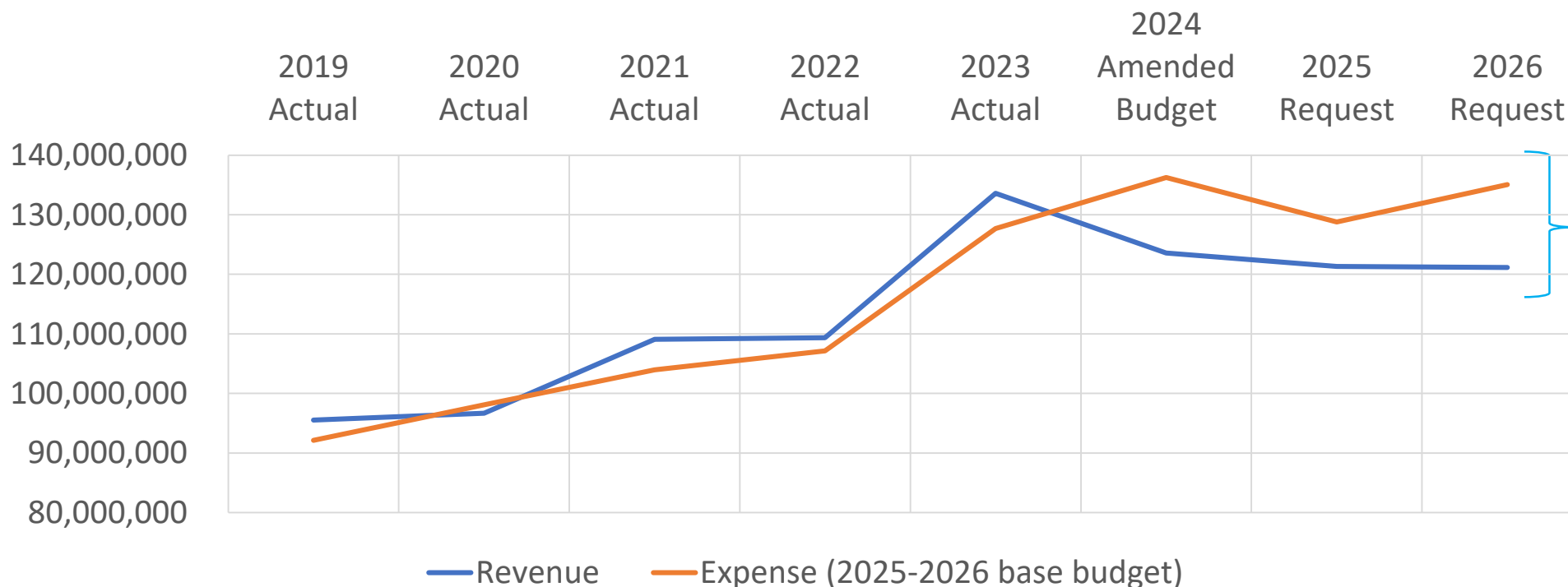
Problem Statement: The County faces a structural budget imbalance where annual revenues are not keeping pace with annual expenses

- Projected annual revenues versus expenses
- How did we get here?
- Tools – Short and longer-term strategies
- Next Steps



General Fund: Expense v Revenue

Chart 1: General Fund - Expense v Revenue



Average Annual Projected GF Deficit 2025-26: **\$10.7M** before ASRs are considered



Additional Cost Pressures

Additional Service Requests (ASRs)

About 390 ASRs submitted across all funds

- ~60% of the 390 = “Cost Maintenance” (represent increased costs of existing programs)
- ~40% = New programming (expand or create programs in response to community need, continue previously approved one-time funding)

GF ASRs

	2025 Request	2026 Request
Cost Maintenance ASRs	1,670,525	1,828,778
New Program / Continue One-time funding ASRs	1,520,374	830,729
Total*	3,190,899	2,659,507

**Excludes some GF ASRs already identified as needing corrections*

GF Additional Service Requests - *Examples*



ASR #	Department	Request Title	2025 GF Request	2026 GF Request
<i>Example ASRs: New FTE supported by the GF</i>				
7253	Council	Legislative Coordinator - Policy	102,465	106,054
7070	County Clerk	Senior Deputy	151,782	156,697
7042	Public Defender	Behavioral Health Aide	80,131	85,220
7285 & 7284	Superior Court	Superior Court Services Manager	147,215	142,480
<i>Example ASRs: New or Expanded Program or Requests to continue one-time funding</i>				
7220	Assessor	Spatialist - online public information	75,840	79,632
7437	Non-Departmental	Executive Contingency	20,000	20,000
7228 + 7236	Parks & Recreation	Parks Trailer Additions + ER&R	65,100	10,200
7046	Public Defender	Extra Help, clerical, for Case Mgt scanning	55,000	55,000
7329	Sheriff	Digital Forensics Infrastructure – Ph 1	150,000	-

Report showing all GF-ASRs is available here: [2025-2026 Budget Webpage](#). ASRs related to other funds will be added.



Additional Cost Pressures

Other cost pressures

- Capital Facilities (i.e., NW Annex and the new CJ & BH facility, Sheriff's Office)
- Increasing insurance premiums and claims against the County
- Labor contracts that will be renegotiated in 2026
- State mandated increased (i.e., public defense caseload standards)



How did we get here?

- Inflation rates at a generational high combined with decades of under-resourcing County services
 - Inflation increased the costs of all the goods and services the County provides, including significant pressure on labor costs.
 - High inflation systematically weakens the purchasing power of County resources.
 - Property tax revenue not keeping pace with inflation (1% cap plus new construction) and many years of banking capacity, contributing to revenue stagnation while population and service needs grew.
- Use of one-time resources (federal funds and fund balances) to support new or expanded County services that became ongoing, contributed to the structural imbalance



What are our tools?

- To address the structural budget imbalance, there are three stages to consider: Bridge, Reform, and Transform
 1. In **Bridge**, the goal is to avert immediate crises
 2. In **Reform**, the goal is to balance the budget without making things worse in the long-run

The Executive's goal is to develop a 2025-2026 Biennial Budget proposal that moves the County into the "reform" stage and identify the ongoing work needed to move into the "transform" stage
 3. In **Transform**, the goal is to come back better, stronger, and more resilient than before



Strategies to reform

Options:

1. Prioritize continuity of services – approve ASRs that support current levels of service. Expanded or new services require a reduction to offset new spending.
2. Use remaining one-time resources from the Local Assistance and Tribal Consistency Fund (LATCF) to bridge to reform (\$2.7 million of one-time funding)
3. Reduce or eliminate transfers from the GF to other funds and redeploy or maximize use of dedicated fund sources
4. Impose underspend assumptions in the GF
5. Consider use of banked capacity in property tax levies



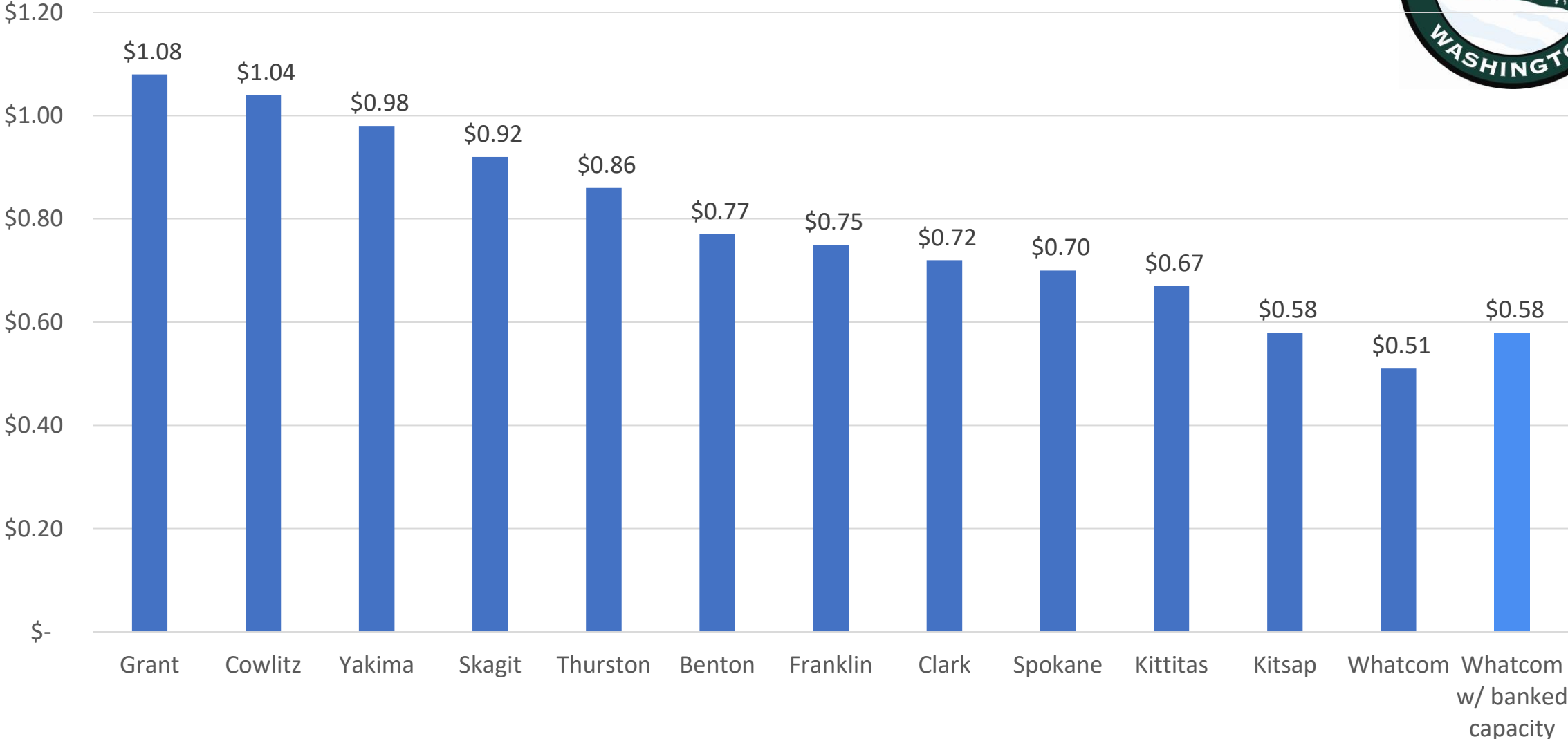
GF Banked Capacity

	<u>2024 Property Tax</u>		<u>Annual 1% Increase</u>		<u>Use a Portion of Banked Capacity (\$1M)</u>		<u>Use All Banked Capacity</u>	
	Impact to Avg HO*	County Revenue	Impact to Avg HO*	County Revenue	Impact to Avg HO*	County Revenue	Impact to Avg HO*	County Revenue
Current Expense Levy	\$387.00	33.6M	\$3.87	0.3M	\$11.61	1.0M	\$44.83	3.9M

HO = Homeowner

*The cost to an average homeowner is calculated using a Median Home Value of \$700,000 based on 2024 Redfin data.

GF Banked Capacity: 2024 Current Expense Levy Rate





Scenario using a selection of strategies

Projected Ending Fund – current projections before ASRs are fully considered

	2025 Projected	2026 Projected
<i>Beginning Fund Balance</i>	28.5M	21.0M
Projected Revenue	121.3M	121.1M
Projected Expenses (before ASRs)	128.8M	135.1M
Annual surplus (deficit)	(7.5M)	(13.9M)
Projected Ending Fund Balance	21.0M	7.0M
<i>Ending Fund Balance (% of Operating Expense)</i>	16%	5%

Projected Ending Fund – Use of Select Reform Strategies

(banked capacity, one-time revenue, 2025 underspend, reduce expense by \$700k)

	2025 Revised Projection	2026 Revised Projection
	31.2M	34.70M
Projected Revenue	125.2M	125.0M
Projected Expenses (before ASRs)	121.7M	134.5M
Annual surplus (deficit)	3.5M	(9.4M)
Projected Ending Fund Balance	34.7M	25.2M
	28%	19%



Strategies to transform

Options:

1. Budget Prioritization Exercise
2. Medium- and long-term financial planning
3. Develop and Implement a Fiscal Transparency Program
4. State Legislative and other advocacy
5. New Revenues



Next Steps

- Continue reviewing ASRs and options to balance with input from the Council
- Finalize Proposed 2025-2026 Biennial Budget and transmit to Council on October 18