2025-2026 Mid-Biennium Budget Review – Official Proposal

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COMMITTEE OF THE WHOLE

OCTOBER 21, 2025

Outline

1. Guiding Principles
2. Budget Process
3. Recommendations
4. Detailed Breakdown
5. Next Steps

Building a bridge to an economically resilient future

Guiding Principles

- Budget are our values transformed into action
- Every budget decision has real-world impacts
- No flat across the board cuts - instead, targeted service-based choices

<u>Our guiding principles for this budget</u>

Economic Resilience – building stability in fluctuating market conditions

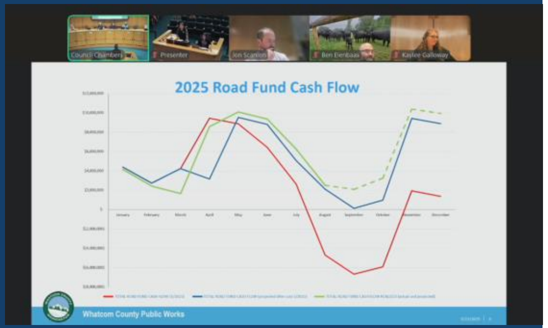
Core Services – staying true to the role of a County government

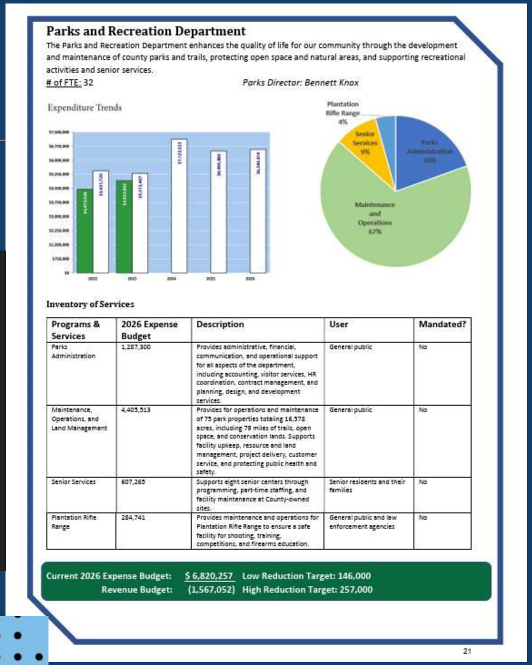
Transparency – providing the public with a clear picture of where tax dollars are spent and services provided

Budget Process

Initial Budget Exercise:

- Every department updated Inventory of Services and potential reduction scenarios
- Reviewed by Executive Office and presented to Council and the public in an accessible, jargon-free format





Parks and Recreation Department

The Parks and Recreation Department enhances the quality of life for our community through the development and maintenance of county parks and trails, protecting open space and natural areas, and supporting recreational activities and senior services.

# of FTE: 32 *Parks Director: Bennett Knox*

Expenditure Trends

Plantation Rifle Range 4%
Senior Services 9%
Parks Administration 20%
Maintenance and Operations 67%

Inventory of Services

Programs & Services	2026 Expense Budget	Description	User	Mandated?
Parks Administration	1,287,300	Provides administrative, financial, communication, and operational support for all aspects of the department, including accounting, visitor services, HR coordination, contract management, and planning, design, and development services.	General public	No
Maintenance, Operations, and Land Management	4,405,513	Provides for operations and maintenance of 75 park properties totaling 16,578 acres, including 79 miles of trails, open space, and conservation lands. Supports facility upkeep, resource and land management, project delivery, customer service, and protecting public health and safety.	General public	No
Senior Services	607,265	Supports eight senior centers through programming, part-time staffing, and facility maintenance at County-owned sites.	Senior residents and their families	No
Plantation Rifle Range	284,741	Provides maintenance and operations for Plantation Rifle Range to ensure a safe facility for shooting, training, competitions, and firearms education.	General public and law enforcement agencies	No

Current 2026 Expense Budget: $ 6,820,257 Low Reduction Target: 146,000
Revenue Budget: (1,567,052) High Reduction Target: 257,000

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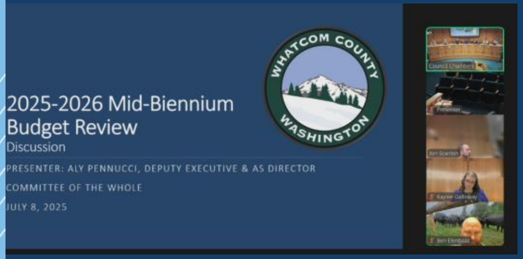
Community Engagement

- County Government Open House

Continued Engagement with Council

- Regular updates throughout the process articulating the structural challenges and gathering feedback



Executive’s Recommended MBR Adjustments: *Changes to Expenses*

1. Cost increases: Address unavoidable cost increases and strategic new investments
2. Cut expenses included in 2026 Adopted Budget:
   - Eliminate or temporarily freeze vacant positions
   - Reduce discretionary spending
   - Implement some service reductions
   - Reduce capital program
3. Apply restricted funds toward core services (e.g. Foundational Public Health Services)
4. Reallocate $5 million of one-time funds in the Community Priorities Fund for one-time 2026 expenses and to increase reserves
5. Use one-time savings from reduced Department of Retirement Services rates assumed in adopted budget for new risk reserve

Executive’s Recommended MBR Adjustments: *Changes to Revenues*

1. Accept new revenues (state funding and increased fee revenue).

2. Use the banked capacity in the EMS Levy and permitted 1% annual property tax increase for all property tax levies except the Healthy Children’s fund

Summary of MBR Adjustments

All Funds

- No new FTEs proposed; reduction of 21 FTEs countywide
- Net change across all funds: +$10.1 M

Includes $6.9M of EDI Awards

General Fund (GF)

Net change: +$1.8 M

Behavioral Health Fund

Net change: -$823 k

Road Fund

Net change: -$2.35 M

MBR Cost Increases by Fund *(highlights)*

General Fund: +$6.2M

- Jail healthcare & food services: $3.9 million*
- Facilities Management: $200k*
- Personnel: $170k
- Technology: 678k*
- Risk Reserve: $700k
- Misc / Other: $589k

Public Utilities Improvement Fund: +$6.9M

(Economic Development Investment Program)

Community Priorities Fund: +$5M

- Transfer to the GF for 2026 one-time costs $1M
- Capital Facilities Reserve: $3.5M
- Risk Reserve: $500k

REET 1 & 2: $924k

- Parks Capital Projects: $514k
- Superior Court ADA Improvements to CR2: $30k
- Public Defender 1st Floor Improvements: $380k

**GF transferred to support expenses in other funds*

MBR Spending Reductions by Fund *(highlights)*

- General Fund: -$2.6 Million
  - -$1.03M Health and Community Services (HCS)
  - -$1M Sherriff's Office
  - -$600k: Council, Exec Non-Departmental, Parks & Rec, PDS, Superior Court
- Behavioral Health Fund: -$1.42 Million
  - -$1.4M HCS
  - -$20k Superior Court
- Road Fund: -$3.2 Million (Public Works)
- Jail Fund: -$249,000 (Sheriff's Office / Corrections)
- Other Funds: -$230,000 (Public Works + HCS)

Health and Community Services

- Overall -$2.15M net reduction to HCS 2026 Budget
  - General Fund: -$1.03M
  - Behavioral Health Fund: -$903k net reduction
  - Other: -$217k
- Reductions achieved through:
  - Eliminating vacant positions
  - Reducing discretionary and other non-personnel spending
  - Shifting expenses to restricted funds / sources

Sheriff’s Office

- Overall +$2.6M net increase to 2026 Budget
- Expense Changes
  - +$3.9M increase for Jail Healthcare and Food Services
  - -$1.25M decrease achieved by freezing 9 vacant positions:
    - 5 patrol officers
    - 2 corrections officers
    - 2 support staff

Public Works

- Overall -$2.4M net reduction to 2026 Road Fund
- Reductions achieved by:
  - Freezing 13 vacant positions
  - Eliminating 8 vacant positions
  - Reducing services, reducing discretionary and other non-personnel spending

Changes to Revenues

<u>Indreased state funding & fee revenue</u>

- Approximately net +$610k from
  - State passthrough for water adjudication, therapeutic court
  - Recording fees - Auditor’s Office
  - Office of Public Defense 10.101 Funds

<u>Property Tax Revenues</u>

- + $850k: Planned 1% annual property tax increase for most levies (GF, Road Fund, EMS, Conservation Futures, Flood Control Zone Fund)
- + $2.56M: Use of Banked Capacity in EMS Levy

Property Tax Levies – Estimated Impact to Homeowner ($650k home value)

	Estimated Tax before 2026 changes	1% Annual Increase**	Use of Banked Capacity	Unincorporated Whatcom County Total Increase	Municipalities Whatcom County: Total Increase
CE Levy	$ 409.34	$ 4.09	-	$ 4.09	$ 4.09
Road Levy*	$ 570.15	$ 5.70	-	$ 5.70	-
Flood Control Zone Dist	$ 68.85	$ 0.69	-	$ 0.69	$ 0.69
EMS Levy	$ 143.54	$ 1.44	$27.09	$ 28.53	$ 1.44
Cons Futures	$ 14.98	$ 0.15	-	$ 0.15	$ 0.15
Children's Initiative	$ 109.32	-	-	-	-
Total	**$ 1,316.18**	**$ 12.07**	**$27.09**	**$39.16**	**$33.4**

*Only applies to properties located in unincorporated Whatcom County
**Assumed when the 2025/26 Biennial Budget was adopted in November 2024

Strategic Use of One-Time Funds:
Reallocate Community Priorities Funds

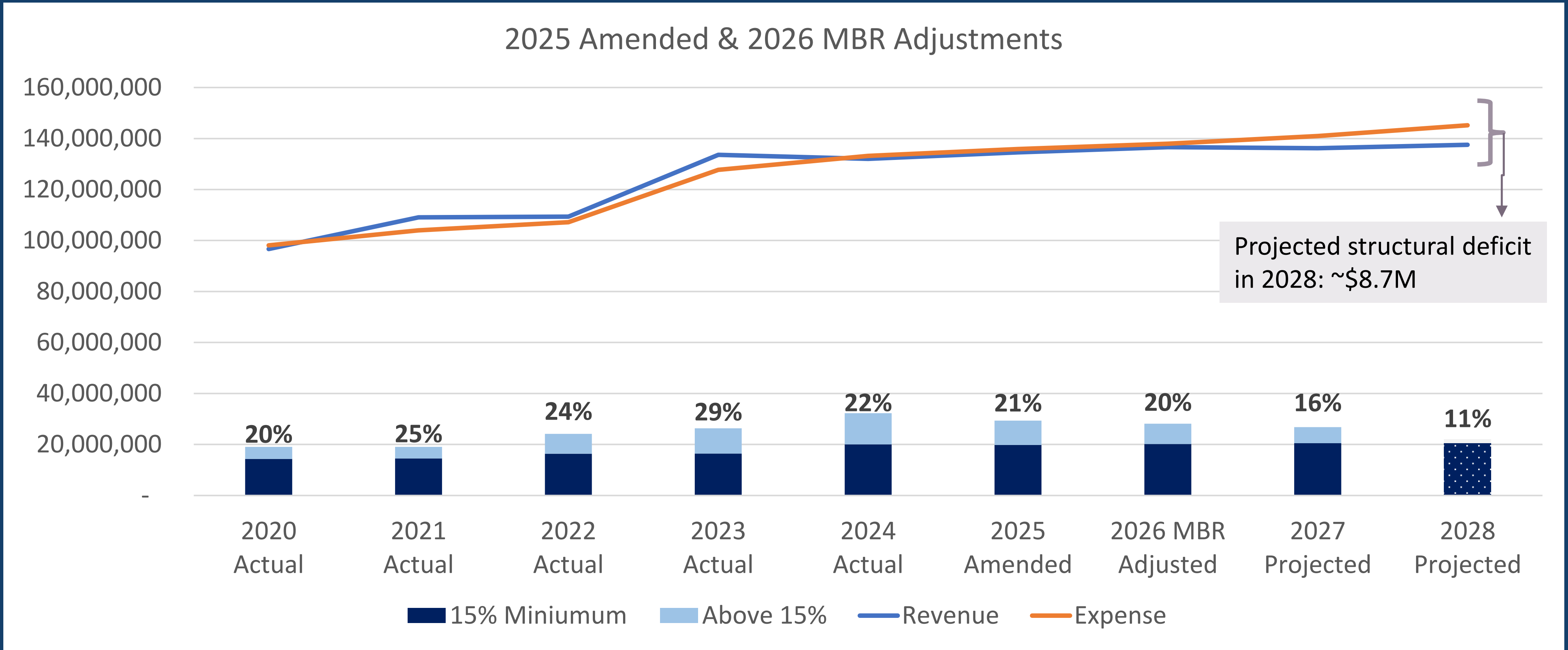
<u>Background:</u>

- The County received $44.5M in American Rescue Plan Act (ARPA)
- This allowed the County to invest in childcare, housing, homeless services, broadband, and criminal justice operations and allowed the establishment of the Community Priorities Fund.
- The Council set the goal of spending $25.7M or 58% of ARPA funding on childcare and housing. Over the course of three years, the Executive successfully obligated $23.8M of this funding.
- The Council had a high-level spending plan allocating the remaining money to other activities. Most of that funding has been spent, with $5M still available that was originally set aside for pandemic response, climate, and behavioral health, with no specific commitments or contracts identified.

Strategic Use of One-Time Funds: Reallocate Community Priorities Funds

- The $5 million in the Community Priorities Fund can be allocated toward any general fund eligible expenditure.
- The Executive's MBR Proposed Budget Adjustments includes reallocating the $5 million for:
  - $500,000 to an emergency risk reserve
  - $1,000,000 for one-time strategic priorities (e.g. code modernization, fee study, etc.)
  - $3,500,000 to the Capital Reserve Fund

GF Structural Imbalance & Fund Balance:
2025 Amended & 2026 MBR Adjustments



Additional actions will be required – on both expenses and revenues – to address the structural deficit

Takeaways

- Overall the MBR adjustments modestly improve the stability of the budget
- The reductions and other strategies proposed are not sufficient to address anticipated future cost escalations or meet growing community needs
- These strategies represent some of the last pieces of “low hanging fruit” in the County’s base budget
- Absent revenue increases, further impactful reductions will be necessary in the 2027-2028 budget process
- For longer-term sustainability, the Executive’s Office will continue to work with departments and elected offices to find opportunities to reduce expenses, and is working with the Sheriff's Office and Public Works on proposals to implement the new Public Safety sales tax and a countywide ferry district
- The Executive’s office is committed to ensuring budget discussions are timely and transparent