

2027–2028 Budget Realignment

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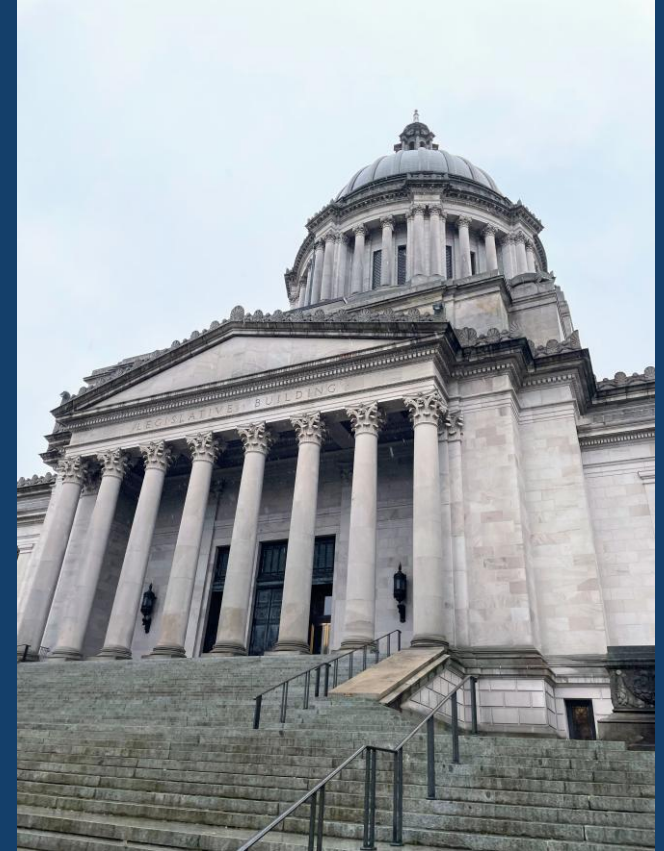
Agenda

- Why We Are Here
- Financial Context
- Biennium Projections
- Our Values
- The Realignment Exercise
- Strategic Guidance
- Key Deadlines & Next Steps



Why we are here

- Municipalities across the state are facing significant budget challenges with flattening sales tax and rapidly rising labor costs – Whatcom included
- Creative thinking necessary, but we recognize service reductions are unavoidable
- Executive will prioritize core services (required by statute, code)
 - *Looking to amend areas of the county code that are adding requirements beyond state mandates*
- Nothing is off the table; no department exempt





Financial Context

- Thanks to staff and Council's discipline last year as part of the Mid-Biennium Budget Review, we ended 2025 with roughly the same amount of expenditures as 2024 in the general fund
- Beginning 2026 with a strong fund balance gives us the time to confront the challenging fiscal climate



However . . .





Financial Context

- Sales tax revenues, a primary funding source for county services, grew only ~1% in 2025
 - Sales tax revenues fell significantly below projections - a sharp decline from the double-digit growth rates seen in recent years
- Consumer sentiment is at historic lows, signaling a near-term revenue rebound is unlikely
- Inflation on the expenditure side has accelerated, driven in part by global instability
 - Compounding cost effects on the expenditure side are expected to persist.
- **These dual pressures, sluggish revenue and rising costs, have created a structural fiscal challenge for the 2027–2028 biennium.**



A Shifting Landscape

These numbers will change many times between now and the submission of the Executive's proposed budget.



The Numbers: Biennium Projections

- **Structural Shortfalls (Expenditures over Revenues)**
 - 2027: \$8.3 million shortfall
 - 2028: \$14.3 million shortfall
- **Projected General Fund Ending Balances**
 - End of 2026: \$35.0 million
 - End of 2027: \$26.5 million
 - End of 2028: \$12.2 million
- **Key Benchmarks at Risk**
 - Fund Health: Balance projected below 3 months of operating expenses in 2027 and 2028
 - Statutory: Fund balance projected below 15% of prior-year revenues in 2028



Our Values

- **Transparency:** We will work to provide you with up-to-date information on the budget as it becomes available.

Council and the public will be in the loop throughout this process.

- **Core Services:** As we direct our limited funds, we are prioritizing the services and responsibilities required by state law and the County charter.
- **Organizational Resilience:** Economic conditions change, but our responsibility to serve the people of Whatcom does not.

Once we have fulfilled our required duties, our next priority will be to make strategic investments that build stability into our organization to set us up for success in the future.



Our guide for the path ahead



The Realignment Exercise

What We Are Asking

- Similar to the 2025 mid-biennium review, all departments will model two reduction scenarios.
- **Low scenario: 7% net reduction**
- **High scenario: 10% net reduction**
- Actual required reductions will likely fall between these two scenarios.

Scope: General Fund Only

- Special revenue fund departments will conduct parallel exercises independently.

Proposals Must Be Executable – Viable Options Only

- Submissions from Departments inform Executive prioritization. If a reduction is selected, the department must be prepared to carry it out.
- Swap out existing budget authority for unavoidable cost increases.
- **This is not a drill. We are highly likely to move forward with reductions, subject to our collective bargaining obligations.**





Strategic Guidance to Departments

Reductions are net reductions

- Targets account for both expenditure reductions and new revenues.

Think creatively. Reduction does not mean elimination.

- Pursue new or expanded revenue sources to offset service costs.
- Restructures.
- Pursue new operating models and phase reductions over the year to minimize service disruption.

Prioritize statutorily required core services.

- Mandated services with defined staffing levels will receive priority in the Executive's budget recommendations.

Support is available.

- The Executive's Office, AS-Finance, and AS-Human Resources are available to assist.





Key Deadlines & Next Steps

Immediate: Austerity Measures, Exploration of countywide solutions

May 29: Phase 1 Submissions Due (Extended)

- Expenditure request spreadsheet and cut exercise spreadsheet
- Templates with instructions have been distributed

Early July: Final Department Budgets Due

- Executive feedback on Phase 1 submissions will be provided before July budgets are finalized

September 1: Executive Budget Delivery to Council



Questions?

