



**MEMORANDUM**

**TO:** County Council  
**THROUGH:** Satpal Sidhu, County Executive  
**FROM:** Aly Pennucci, Deputy Executive  
**CC:** Kayla Schott-Bresler, Deputy Executive; Randy Rydel, Director, AS Finance; Andrew Tan, AS Finance Budget Manager  
**RE:** AB2025-707: Fund Balance Analysis Update and Proposed Amendments to the Mid-biennium Review Budget Adjustments.  
**DATE:** November 17, 2025

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On Tuesday, November 18, the Council will continue discussion of the proposed Mid-biennium Review (MBR) Budget Adjustments.

This memo explains changes to the projected 2026 year-end fund balance that were updated following completion of the Q3 2025 Financial Report and based on proposed additional amendments that impact the fund balance.

Also attached to this memo are summary tables of: (1) additional amendments the Executive is requesting that have emerged since the MBR proposal was transmitted to the Council on October 21; and (2) a summary table of Council-proposed amendments.

**Fund Balance Update**

With the additional changes requested by the Executive, the 2026 ending fund balance in the General Fund (GF) is projected to be \$2 million less than what was assumed when the MBR budget proposal was transmitted. This results in a 2026 Projected Funding Balance of 18.3% rather than 19.7% of the prior year's revenues.

The picture becomes clearer when we account for a significant one-time timing shift. The [Q3 2025 Financial Report](#) shows the 2025 Projected Ending Fund Balance improved by \$2.2 million compared to our MBR assumptions. However, this improvement is entirely attributable to \$2.7 million in Local Assistance and Tribal Consistency Fund (LATCF) revenue that moved forward from 2026 into 2025.

Adjusting for this timing shift reveals the underlying trend: without the LATCF acceleration, our 2025 ending fund balance would project \$0.5 million below our original forecast. When combined with a \$1.5 million reduction to 2026 interest earnings projections, we arrive at the \$2 million net decrease in projected 2026 ending fund balance.

The revised interest earnings projection reflects both lower projected earnings overall and a technical correction to account for the assignment of certain interest earnings to other County funds as required by law – a reduction that was not included in the 2026 Adopted Budget.

**This suggests a need to proceed with caution as we enter 2026.** While this trajectory warrants concern, several factors suggest it is premature to be alarmed:

- The 2025-2026 Adopted Biennial Budget assumed a five percent expenditure lapse (approved spending that will not be used by year-end) in budgeted expenses or about \$7 million in

assumed lapse per year. Based on actual spending through October of 2025, Finance has increased the 2025 lapse assumption to \$12.86 million. There remains real potential for our actual 2025 lapse to exceed current projections and bring us back to our original year-end fund balance projection.

- Over the past decade, interest earnings have outperformed budgeted amounts in every year except 2020. While current projections assume a decrease, historical patterns suggest this may be overly conservative.
- Sales tax revenues remain a concern; however, as of October 1, 2025, certain additional services became subject to retail sales tax under state law (ESSB 5814). We do not yet know the extent of the positive impact this will have on sales tax revenues.

The Executive will take some immediate actions in 2026 to **delay discretionary spending**. These decisions will be revisited after we have the final 2025 year-end and Q1 2026 actuals.

**Spending holds:** The Executive is considering delaying execution of contracts for the following new areas of 2026 proposed spending:

- PDS Code review update study: \$150,000 (SBR #5184)
- PDS fee study \$150,000 (SBR #5043)
- JAVS system for Courtroom 3: \$183,000 (SBR #5139)
- County strategic plan: \$200,000 (if Council amendment is approved)

The Executive's Office will be reaching out to departments to identify additional or alternative discretionary contracts already budgeted for 2026 that could be delayed. In addition, the Executive will request that all departments hold discretionary spending for travel, training, and the purchase of equipment or supplies that are not urgent.

**If Conditions Don't Improve.** If the final 2025 year-end and Q1 2026 data do not show improvement, additional measures the Executive will consider include:

- Hiring freeze for more positions funded in the GF
- Furlough or closure days

**Attachments:**

- Additional amendments requested by the Executive since October 21
- Summary of Council proposed amendments