



## Budget Department

351 NW North Street  
Chehalis WA 98532

**TO:** Board of County Commissioners (BOCC)

**FROM:** County Manager Erik Martin and Budget Administrator Becky Butler

**DATE:** October 4, 2022

**SUBJECT:** 2023 Preliminary Budget

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Pursuant to RCW 36.40.050 using alternate budget dates set by the Board of County Commissioners (BOCC), the 2023 Preliminary Budget is hereby submitted to the BOCC this first Tuesday in October 2022. The board shall now consider the budget in detail, making any revisions or additions it deems advisable.

The following are estimated year-end totals for 2022 and Preliminary Budgets for 2023 as projected and submitted by County Elected Officials and Department Directors.

The total 2023 Preliminary Budget for **ALL Funds** (including operating transfers) is anticipated revenue of **\$160,511,526** and expenditures of **\$181,184,020**, a decrease of less than 1% in overall expenditures from the 2022 adjusted budget of \$182,026,516.

### GENERAL FUND BUDGET OVERVIEW

The 2023 Preliminary Budget for the General Fund projects a beginning fund balance of approximately \$12.4 million, revenues are budgeted at \$44.4 million, and expenditures at \$48.4 million (including operating transfers out). A use of \$3.9 million will be needed to balance the 2023 Preliminary Budget as submitted, leaving an estimated ending fund balance of \$8.5 million at the end of 2023. However, unanticipated revenue, as well as savings for vacant positions in 2022 and 2023, will likely change the outcome.

The **2023 Preliminary Expenditure Budget** for the General Fund as submitted is **\$48,416,067**; this total includes operating transfers out to other Funds of \$2.6 million. The 2023 Preliminary Budget is an approximate 3% increase in expenditures over the 2022 adjusted budget of \$46,989,400. The approved COLA and the employer-paid health and welfare increases are included in the Preliminary Budget.

**Preliminary 2023 General Fund revenues** are projected at **\$44,486,233**, a 2.94% increase as compared to the 2022 adjusted budget. Sales and use tax is projected to increase over current 2022 collections; this will be updated if the trend changes. Funding for the County through the American Rescue Plan Act will likely positively impact the General Fund as well as the distribution of the \$1.5 Billion set aside in the Act for timber counties, in which the County received an allocation of \$3 million in September of this year. This funding is direct, flexible aid to public lands counties and will be allocated by the U.S. Treasury for the years 2022 and 2023. These funds can be used for general governmental purposes.

### **REVENUE ASSUMPTIONS**

For the General Fund, the anticipated revenue projection for 2023 is based on an assumption of an approximate 5% increase in sales and use tax from 2022 budget projections. Sales and use tax have continued in an upward trend over the last year. However, the increase has leveled off and we are now seeing moderate monthly increases over 2021. We will continue to evaluate economic conditions and incorporate new federal funding into the budget as grants from the American Rescue Plan Act of 2021 continue to become available. Court fines and fees are projected to be significantly lower next year. These decreases are a direct result of bills passed by the Washington State Legislature over the last few years. Revenue for property tax fines on delinquent taxes is also anticipated to decrease due to changes in Washington State Legislation under HB 1410.

The 2023 revenue estimate does not include anticipated new construction for property taxes, as this will be provided by the County Assessor for the final budget. As it relates to the 1% cap under state law, no local government may increase its property tax levy more than 1% in a given year, and the County is limited to the **lesser of 1% or the rate of inflation** (RCW 84.55.005 - .010). If inflation falls below 1%, the County may adopt a resolution of "substantial need," allowing an increase to the levy (or bank the excess capacity) up to the full 1%. As of September 25th, 2022, the IPD is 6.457%, up another 2.61% from this time last year. The BOCC will make decisions on the 2023 property taxes for the General and Road Funds at the Hearing on December 5th.

### **OTHER FUNDS**

The 2023 preliminary expenditure budget for other various funds is **\$132,767,953**; this is a decrease of approximately 1.68% over the 2022 adjusted budget of \$135,037,116. The decrease is mainly due to the county capital projects, including the Juvenile Facility and County Campus remodel projects. COVID-19 emergency funding, direct and indirect through the American Rescue Plan Act and Broadband Grant funds, make up \$21.2 million of the total budget.

For Other Funds, which include Special Revenue, Debt Service, Capital Acquisition and Capital Maintenance, Enterprise (Airports and Utilities), and Internal Service Funds, the 2023 Preliminary Budget anticipated revenue is **\$116,025,293**, a 3.25% decrease over the 2022 adjusted budget of \$119,918,822.

### **BUDGET INCREASE REQUESTS**

Department Heads and Elected Officials have submitted budget increase requests totaling \$2,084,162 above the submitted 2023 preliminary budget, \$1.5 million of this total would impact the General Fund. Meetings in October with the BOCC and the Citizens Budget Committee will allow Elected Officials and Department Directors an opportunity to discuss their requests. Decisions on budget increases will be made in November after all budget meetings have concluded.

With many uncertainties in today's economy, we will continue to provide the BOCC with the most up-to-date information to make necessary adjustments to the budget to maintain the County's fiscal health.