



Satpal Singh Sidhu
Whatcom County Executive



TO: Whatcom County Council
FROM: Satpal Sidhu, County Executive *Satpal Sidhu*
DATE: June 14, 2022
RE: **2023-2024 Budget Outlook and Priorities**

The 2023-2024 biennial budget process is upon us.

Enclosed please find an outline of the County Executive's 2023-2024 Budget Priorities and Guidelines. These have been developed with the insight gathered through outreach to our community, input from the County's department heads/elected officials and ongoing discussions with the County Council. A number of the priorities were included in the "State of the County" presented to the County Council and the community at the May 24th County Council meeting.

Our objective is to develop a balanced, sustainable 2023-2024 budget that includes modest investment in county-wide priorities. Our budget will incorporate projections of inflation and the slowing economy. We will focus on safeguarding the long-term financial stability of Whatcom County and propose strategic investments within our capacity to best serve our community.

As we continue to develop and refine additional details and funding sources for various projects, we will continue to provide consistent updates to the County Council. We will seek County Council consideration and contributions to incorporate into the Executive's Recommended budget.

Lastly, as we plan for the next biennium it is vital that we continue to work to build our relationships with the City of Bellingham, the Small Cities, Lummi Nation, Nooksack Tribe, countless other public and private entities, and the community. This will allow us to continue to show that working together we can achieve what we cannot do individually.

Financial Outlook

Our current financial position is sound. Our projected General Fund ending balance is \$23 million, this is \$8 million more than planned in the original 2022 budget. The increase is the result of the 2021 ending fund balance exceeding budget by \$5.8 million and increased 2022 revenue estimates based on a rebound in our local economy. Sales tax growth continues to be strong and property tax collections are on target with the 2022 budget. We will have modest capacity for growth of county-wide prioritized community services by utilizing and leveraging growth in dedicated fund sources.

As we start on the next biennium budget, the national economic outlook is volatile. National economists and financial experts warn a recession is a possibility over the next 12-18 months. Whatcom County has a long history of fiscal discipline and stewardship on behalf of our taxpayers. As we approach the changing economic conditions effectively managing our resources will require thoughtful, measured and timely decision making, as well as leadership and cooperation from the Council and department heads.

Work Force

The County continues to respond to unprecedented emergencies (pandemic and floods) and growing demand for services. We acknowledge that many departments are at capacity and struggling to maintain levels of service. The Administration is organizing a one-day summit with all department heads to discuss the County’s core services and prioritize existing and new programs within the established budget allocations. The Administration believes a high-performance workforce is essential for successful county operations. We are prioritizing workforce retention and recruitment of a quality workforce together with investments in tools to improve the efficiency, effectiveness and work environment of our workforce.

ARPA

The Administration worked with the County Council to develop a draft spending plan for the American Rescue Plan Act funds (ARPA) in 2021. Recommendations from this planning effort have been incorporated into the 2022 budget. Earlier this year the U.S. Department of Treasury issued the Final Rule which made significant changes in requirements and use of the funds. The Administration anticipates engaging council to refine the ARPA spending plan and review and update the plan for changing circumstances including simplifying administration of ARPA under the Final Rule. This will include a review of utilizing the “revenue loss” language to simplify the administration of the dollars and to ensure that the spending plan is balanced to the anticipated ARPA revenue.

Budget Priorities:

The following is an outline of the county-wide priorities for the Whatcom County 2023-2024 Biennium budget:

Initiative/Services	Investments	Funding Sources	Existing/New
New Capital Buildings Fund	New Justice Facility NW Annex Building Facility Maintenance	New Funding CARES Act Fund General Fund Capital Funds	E/N N N E
Technology/Process Improvements	Financial System	Project Funds General Fund Road Fund/FCZD	E
Workforce Retention/Recruitment	Personnel - Core Services	Across all County Funds	E
Social – Community Sector	Affordable Housing Child and Family Initiative Racial Equity Commission	ARPA/Housing ARPA, New Funding General Fund	E/N N N
Law & Justice	Court Case Backlog Alternative Response Behavioral Health Programs	ARPA Grant Funding Behavioral Health	E/N N E
Environmental	Climate Action Future Flood Mitigation WRIA I – Water Discussions	General Fund Flood Fund State/Federal Funds	N E/N E/N
Economic Development	Industrial Lands Infrastructure	EDI Fund	E/N

Next Steps

On June 30th there will be an internal meeting of Whatcom County Departments to discuss the budget instructions. Departments will then have until late August to develop their 2023-2024 budgets. The month of September will be an opportunity for Departments to discuss these with the Executive team. It is anticipated that the Executive recommended budget will be delivered to the County Council on October 18, 2022. The County Council will be able to review, consider and hold hearings on the Executive recommended 2023-2023 biennium budget throughout October and November with an anticipated adoption at the November 22nd County Council meeting.

The Administration will be continuing to provide updates to the County Council as this process moves forward. We look forward to continued engagement and coordination with the Council as the Administration prepares and submits the Executive recommended 2023-2024 biennial budget.