


TO: Elected Officials and Department Directors

FROM: Board of County Commissioners

Scott J. Brummer, Chair
↳ Lindsey R. Pollock, Commissioner
Sean D. Swope, Commissioner
County Manager Ryan Barrett 

DATE: July 22, 2024

SUBJECT: 2025 Budget Call Letter

In accordance with the requirements outlined in RCW 36.40, this memorandum is the official notice for all elected offices and departments of Lewis County to prepare and **submit their Preliminary Budget proposals for 2025 no later than August 26th of this year.**

PRELIMINARY 2025 BUDGET

Lewis County is considering significant expenditure reductions for 2024 and 2025, as we continue to seek to balance our budget with limited revenue growth amidst rising costs. We are not unique in this, as numerous other counties and cities face similar challenges. The projected rise in public defense costs related to the anticipated Supreme Court ruling on caseload standards, coupled with increased employee costs due to collective bargaining agreements settled through 2025, will significantly impact our budget and service levels.

Though the county experienced increased sales and use tax during the pandemic, sales and use tax revenue has now plateaued and was \$279K less at the end of 2023 compared to 2022. And while the county saw record-high investment interest revenue due to funds received in advance from the American Rescue Plan Act of 2021, this interest from one-time revenue is not sustainable. Meanwhile, expenses related to operations, salaries and benefits continue to outpace revenues. Our costs continue to rise, and many of those costs are beyond the County's control. The fluctuation in timber revenues and minimal projected growth in sales and use tax will impact the county.

The year-end 2023 use of fund balance was approximately \$1.5 million. These figures are considered estimated actuals until the completion of the State Audit. For 2024, the BOCC authorized the use of \$1.5 million of one-time revenue to reduce the projected budget deficit, and the County Manager eliminated positions under the BOCC to offset the impact. However, we understand that using one-time revenue is not a long-term solution to a structural budget deficit, so it is necessary to make further adjustments to maintain cash flow to pay expenditures.

After the Preliminary Budget figures are received, third-quarter revenues are reviewed, and property tax levy information is calculated. Further budget reductions of 3% to 5% beyond the initial limitation may be necessary to adopt a structurally balanced budget and maintain sufficient reserves. This includes a review of internal service rates and operating transfers to funds supported by the General Fund.

EXPENDITURE LIMITATION (GENERAL FUND ONLY)

General Fund offices and departments should prepare by budgeting for programs/services mandated in priority order. The initial budget for 2025 will be limited to a 0% increase over the

2024 budget for salaries, benefits and operations plus the 2025 preliminary interfund rate allocations. Please continue to show adjustments in the base budget in OpenGov until you fall within this amount. The BOCC will provide a budget impact form so each office and department can outline what service reductions will result from the proposed cuts. The BOCC will meet with elected officials and department directors to review the effects of the proposed reductions. Final budget decisions will be based on feedback provided by offices, departments, the citizens' budget committee, and the residents of Lewis County.

EXPENDITURES

General Fund offices and departments should prepare budgets within the expenditure limitation provided which is comprised of a 0% increase in wages and operations plus the 2025 interfund allocations. Expenditures that do not fall within this amount will be discussed during September, October, and November meetings. Funds receiving an operating transfer from the General Fund will need to review reductions with the County Manager. Budget increase requests without new revenue will not be considered.

SALARIES

The County has adopted a salary grid with a COLA for non-represented and represented employees. The 2025 salary projections reflect a COLA increase of 3% for most non-represented and represented employees, with some exceptions for public safety CBAs that have a separate salary grid structure. Agreements and salary tables can be found on the Lewis County Intranet at <https://intranet.lewiscountywa.gov/hr/collective-bargaining-agreements/>. The 2025 position costs have been pre-loaded in the budget proposals.

- **For General Fund offices and departments**, please get in touch with the budget department for cost reduction scenarios necessary to meet the budget limitation.

HEALTH CARE BENEFITS

Health care benefits are estimated to increase by the negotiated rates in each of the contracts for represented employees. Most plans will have an employer-paid increase of \$25.00 per month per plan.

Offices and Departments are encouraged to look for new methods to deliver services and programs and achieve efficiency and effectiveness. If an office/department seeks to reorganize, reduce, or add programs and staff, they must prepare a proposal for the Board of County Commissioners to consider. In this proposal, the office or department must identify funding source(s), the costs of the proposal, the efficiencies/effectiveness to be achieved, and the benefits of the new service. **Do not include these amounts in your 2025 budget proposals in OpenGov.**

ESTIMATED YEAR-END REVIEW

Year-end projections are critical to the BOCC's decisions. Overestimated expenditures and underestimated revenues could result in unnecessary reductions or delay budget actions needed to maintain an appropriate level of reserves. You must review revenue projections for 2024 and 2025. Please pay close attention to them and be as accurate as possible.

As we move forward with the budget process, additional information may emerge that could alter the current guidelines. The BOCC will collaborate with Elected Officials, Directors, and Administrators, continuously seeking cost-saving opportunities.

All budget forms must be returned, and proposals must be submitted through OpenGov by **Monday, August 26**. If you want a cost analysis done or have any questions, contact Becky Butler at Ext. 1198 or Rudy Rodriguez at Ext. 1233.

BUDGET TIMELINE

The Preliminary Budget is the first step in the budget adoption process, with the following key dates to follow:

July 23, 26 and August 1, 15, and 22 - Budget training and overview of the budget process and OpenGov Training. Contact Rudy Rodriguez at ext. 1233 for the link to register for the training.

August 26 - The budget process was moved up to allow additional time for review by the BOCC. On or before the second Monday in September of each year, each county official (elective or appointive) in charge of an office or department and the County Engineer concerning the road fund shall file with the County Manager or designee detailed estimates, both of anticipated revenue from sources other than taxation, and of all expenditures required by such office, department, service, or institution for the ensuing fiscal year. RCW 36.40.010-.020

September 24 - Relating to RCW 36.40.050, on or before the first Tuesday in October of each year, the County Manager or designee shall submit the Preliminary Budget, as submitted by each office and department and the County Engineer, to the BOCC. The BOCC shall consider it in detail, making any revisions or additions it deems advisable.

September 30 and October 2 and 9 - All-day budget meetings with County Officials, BOCC, and the Citizens Budget Committee.

October 22 and 28 - Budget working sessions for final 2025 budget decisions.

November 13 - Public meeting on the 2025 budget at 5:30 p.m. in the BOCC Hearing room.

December 2 - Relating to RCW 36.40.070 and .071, on the first Monday in December of each year, the BOCC shall meet at the time and place designated in the notice for a public meeting at which any taxpayer may appear, be heard for or against, or ask questions concerning any part of the budget. The hearing may be continued from day to day until concluded but not to exceed a total of five days.

