



From the desk of County Manager Ryan Barrett

TO: Elected Officials and Department Directors

FROM: Board of County Commissioners: Scott J. Brummer, Lindsey R. Pollock, Sean D. Swope, and County Manager Ryan Barrett

DATE: June 22, 2026

SUBJECT: 2027 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 to prepare and **submit their Preliminary Budget Proposals in OpenGov for 2027 no later than Monday, August 17, 2026.**

PRELIMINARY 2027 BUDGET OUTLOOK

The General Fund's preliminary 2025 year-end projections show a \$1.5 million increase in fund balance, primarily driven by stronger-than-expected sales and use tax collections (+5.3% over 2024), investment interest earnings, DNR Timber Trust, traffic infraction penalties, and federal Payment in Lieu of Taxes. Cumulatively, the General Fund balance has increased by approximately \$2.7 million since 2020 (preliminary estimate), supported in part by ~\$500K–\$1M in annual vacant position savings and one-time revenues.

Since 2020, the Fund balance has increased from \$14.1 million, to an ending fund balance in 2025 of over \$17 million (pre-SAO audit). The increase is attributed to the strategic use of one-time revenue, increased investment interest revenue and organizational changes. Using one-time revenue for eligible general fund expenditures put the County in a better financial position to manage the upcoming financial pressures in the short term.

Increased pressure from unfunded mandates such as jail medical and public defense, higher labor costs negotiated under our 14 labor agreements, and increased insurance costs for General Liability will likely erode the reserves built over the last 5 years. Additional new and ongoing revenue is needed to maintain both fiscal sustainability and our current level of programs and services.

The County Commissioners have directed staff to explore options for new revenue including Cannabis Retail in unincorporated Lewis County and to begin collaboration with

local partners on a Public Safety Tax under RCW 82.14.450. Both options would bring new and ongoing revenue to the County as a whole.

As we prepare preliminary estimates of expenditures and revenues for Lewis County, specifically focusing on the operational fund (General Fund), we have seen positive momentum in sales tax revenue, with an increase of 12.92% from Q1 2025.

According to the Washington State Association of Counties (WSAC) 2026 [County Fiscal Health Survey](#), many Washington counties are experiencing significant to severe pressure on their General Funds, driven primarily by wages/COLAs, employee health benefits, liability/insurance costs, inflation, and unfunded state mandates (especially public safety and public defense). Many counties report using reserves, implementing hiring freezes, position reductions, and service adjustments to balance budgets.

Lewis County is in a stronger financial position than it would otherwise be, thanks to disciplined fiscal strategies implemented since 2023. These include conservative revenue budgeting, a zero-growth framework for the 2025 budget (anchored to 2023 actual expenditures), and a 5% cap on 2026 operational increases. The County formed cross-departmental teams to manage federal funds (e.g., ARPA) without adding permanent staff, resulting in successful State Auditor reviews.

Key solvency measures include:

- **Cost Allocation Plan (2025):** Redistributed ~\$2.5 million in administrative costs from the General Fund to beneficiary departments.
- **Position reductions:** Eliminated positions to close an initial ~\$5 million 2025 deficit.
- **Revenue enhancements:** Voter-approved 0.2% sales tax for 911/PSAP (~\$4 million annually); strategic use of one-time ARPA (~\$15.6 million), opioid settlement, and grant funds (e.g., \$27 million broadband) for one-time or capital needs only.
- **Long-term discipline:** Early budget process, Citizens Budget Committee input, and requirements for balanced proposals with identified funding sources.

While these actions have helped stabilize the County, they do not eliminate the need for future restraint.

ALIGNMENT WITH LEWIS COUNTY'S LONG-RANGE STRATEGIC PLAN

The fiscal discipline reflected in Lewis County's 2025 and 2026 budgets and ongoing solvency measures directly supports the County's adopted Long-Range Strategic Plan (Resolution 23-422) and its Mission "To preserve and enhance our quality of life in Lewis County."

By implementing zero-growth budgeting, the Cost Allocation Plan, targeted position reductions, conservative revenue forecasting, strategic use of one-time revenues (ARPA, grants, opioid settlements), and voter-approved sustainable funding (e.g., the 0.2% 911 sales tax), the County is exercising the core values of accountability, resilience, and

innovation. These actions provide structural stability that enables progress on key Strategic Directives, including Infrastructure, Broadband & Utilities, Public Safety, Economic Opportunity, Housing, and Public Health, while avoiding long-term obligations that could undermine future service delivery.

Capital Infrastructure

Lewis County has made roads and other critical capital infrastructure a top priority. This is demonstrated by reducing transfers from road funds for traffic policing functions, implementing stronger fiscal management of capital funds, and reinvigorating the Capital Facilities Planning Committee. These steps have enabled a shift from reactive deferred maintenance to proactive, strategic planning.

These actions better position the County to secure external grants, reducing reliance on local funds. Recent successes include grants supporting Fairgrounds improvements (Friendlyville, 4H barn restoration, Equestrian Center design, and 4H complex), an EV charging infrastructure grant for the downtown campus, and energy efficiency upgrades to the aging Public Health building. These investments preserve and enhance County assets while aligning with the Long-Range Strategic Plan's Infrastructure and Economic Opportunity directives.

This disciplined approach ensures resources are focused on the community's highest priorities as outlined in the Strategic Plan and strengthens the County's ability to deliver essential services sustainably for years to come.

EXPENDITURE LIMITATION (GENERAL FUND ONLY)

General Fund offices and departments should budget for programs and services in priority order, with mandated services receiving the highest priority.

The initial budget for 2027 will be limited to a **0% increase** over the 2026 adopted budget for operations, less any one-time increases, plus projected 2027 salaries, benefits, and preliminary interfund rate allocations. Salaries and benefits have been preloaded in the budget proposals and include a **3% projection** for a cost-of-living adjustment (COLA) associated with the negotiated bargaining agreements. **Union agreements that have not yet been approved for 2027 do not include an estimated COLA and will be added to the Final Budget as directed by the Board of County Commissioners.**

Expenditures that do not fall within this limitation will be discussed during September, October, and November budget meetings. Funds receiving an operating transfer from the General Fund will need to review and identify potential reductions in coordination with the County Manager.

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 2027 budget proposals in OpenGov.**

After the Preliminary Budget figures are received in August, third-quarter revenues are reviewed, and property tax levy information is calculated. Budget adjustments may be necessary beyond the initial limitation 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.

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 delayed budget actions needed to maintain an appropriate level of reserves. You must review revenue projections for 2026 and 2027. Please pay close attention to them and be as accurate as possible.

BUDGET TIMELINE

Date	Action
June 8, 2026	Preliminary 2027 ISF Rates submitted to the Budget Department
June 22, 2026	Call Letter and Budget Instructions distributed to Offices and Departments (RCW 36.40.010)
August 17, 2026	Offices and Departments submit 2027 Preliminary Budget Proposals in OpenGov (RCW 36.40.010-020)
September 22, 2026	Preliminary 2027 Budgets presented to BOCC and Auditor; Budget Reports made available to the public (RCW 36.40.050)
October 19, 2026	BOCC Budget Workshop and Review of Requests
October 26, 2026	Final Budget Review of Preliminary 2027 and Approval of Changes
December 7, 2026	Hearing and Adoption of the 2027 Final Budget and Tax Levies (RCW 36.40.080)

Additional meetings (e.g., Citizens Budget Committee sessions, departmental budget reviews, fee schedule submissions, and Capital Facilities Planning) will be scheduled as needed throughout the process. Departments will receive separate notices for training, fee schedules, and final ISF rates.

All budget forms must be returned, and proposals must be submitted through OpenGov by **Monday, August 17, 2026**. If you want a cost analysis done or have any questions, contact Becky Butler (Budget/Risk Director) at Ext. 1198 or Rudy Rodriguez (Budget Analyst III) at Ext. 1233.