



MEMO

Date: October 18, 2024
To: Whatcom County Council
From: County Executive Satpal Sidhu
RE: Executive's Recommended Budget for 2025-2026 Biennium

I am pleased to present to the Council and residents of Whatcom County a budget that holds true to the County's commitment to maintain our core services – safe roads and bridges, a responsive criminal justice and public safety system, stable courts, secure elections, well-maintained parks and roads, clean water, and quality planning and development services. These reflect our fundamental County services, statutorily mandated upon us as an institution. My budget is designed to ensure the financial stability and resiliency of these and other services provided for County residents.

My previous two budget proposals were very much focused on response and recovery from the pandemic and November 2021 floods. With this being my first biennial budget proposal outside of that framework, we have focused on rebuilding and reinforcing our organization. I am grateful to my fellow elected officials and department heads, who have been collaborative throughout the budget development process and supportive of this pivot toward shoring up core services.

Expenditure proposal

In many respects, my spending proposal is a status quo budget that maintains services at current levels and upholds earlier commitments to add Sheriff deputies, bolster staffing for the Prosecuting Attorney, Public Defender and the courts. It also preserves and advances our investments in priorities championed by community members and supported by the Council – our winter shelter program, new affordable housing projects, Healthy Children's Fund programs, construction of a new courtroom, support for food banks and senior services, and further development of our climate action program. In many instances, these investments are supported by dedicated funds with sustainable revenue streams that cannot be used for other core purposes.

As the County Executive, it is my responsibility to ensure the County's long-term fiscal strength and communicate what is needed to effectively run Whatcom County government. We need our organization to be strong and healthy to deliver services, which is why one area of added emphasis in my budget is Administrative Services. This includes adding a new Human Resources representative to improve our level of service to employees, a maintenance worker in Facilities to support our expanding campus, and a budget analyst and accountant in Finance to address our financial management needs. Working smarter is always a priority, and we will continue to invest in modernization of our financial systems and adopt a new countywide learning management system proposed by Human Resources.

The Justice Project will be a major focus for the County over the next several budget cycles. However, due to timing of expenditures in out years, this spending is not fully reflected in my current budget proposal. Apart from the proposed new justice facility project manager in this budget, most Justice Project budget decision points remain in the future. I am excited to report that we have secured nearly \$20 million in grant funds to support the Crisis Relief Center and housing services for individuals who have languished in the criminal justice system. We will be bringing these projects forward in the coming year as we finalize agreements with our funding partners.

Health and Community Services is moving forward on a number of programs and projects to address the fentanyl crisis. I truly appreciate our collaboration with the Council earlier this year to focus our attention on this shared priority. You will also see allocations of the Healthy Children's Fund toward improving access to quality childcare.

I am pleased to include in the budget a proposal from Planning and Development Services to move forward with Phase II of the buffer mitigation program, which together with a recently funded wetlands bank is an important first step in a multijurisdictional program to bring down the cost of development, support countywide net ecological gain and increase housing supply. The department is also preparing to meet new state laws for permit timelines and continuing the policy discussions on the intersection between land use, economic development, and attracting private capital to fund the growth we know is coming.

In addition to the new positions mentioned above, the budget also includes a legislative analyst in the Council Office to support Councilmembers' needs, and an investment officer in the Treasurer's Office to improve returns on the County's invested funds, among others. In total, 16 new positions are proposed, increasing countywide staff to 1095 FTEs, or a modest 1.4% increase.

In summary, across all County funds, spending is expected to reach \$380 million in 2025 and \$318 million in 2026, compared to an estimated \$429 million in 2024. The ending fund balance for the General Fund is estimated to be \$29.4 million in 2024, \$28.1 million in 2025, and \$28.6 million in 2026, which exceeds our required reserve of 15% of previous year's revenue.

Revenue proposal

Today we all recognize that we are operating in a different economic reality than we were a decade ago or even two years ago, and this impacts County revenues, particularly our funds that are reliant on property tax levies, such as the General Fund and Road Fund. Multiple consecutive years of the highest inflation in a generation has eroded the value of our collections, undermining our ability to provide services at a level that meets the expectations of the people of Whatcom County.

I recall in 2018, when Executive Jack Louws presented his 2019-2020 biennial budget proposal, he provided a clear warning: "With the 'structural gap' of General Fund revenue not keeping up with spending and population, it is becoming more difficult to fund general County government initiatives, most of which are required by state law."

Here's how that looks in reality: on a per capita basis, our General Fund levy has grown only 3% from 2014 to 2024. When inflation is considered, the actual value of the General Fund levy has decreased by approximately 30% on a per capita basis.

While the infusion of federal pandemic-response funding and associated sales tax growth masked this structural problem for several years, it is clear that the time has come to address the issue head on. My

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County Executive

budget proposal includes using our deferred taxing authority, a.k.a. banked capacity, that was set aside in previous years when we declined any increase in the levy.

This banked capacity was preserved precisely for a moment like this, when the macroeconomic situation has shifted dramatically and put in jeopardy funding for our core, state-mandated services. I understand that any decision to increase the tax burden on our constituents cannot be taken lightly, but this must be weighed against the impacts of defunding local government.

I'd like to share a few specific examples of how the Road Fund has been impacted by rising costs: The paint used for road striping nearly doubled from around \$8 per gallon in 2015 to nearly \$15 per gallon today. Chip seal material costs increased approximately 25% over the past decade. The cost of hot mix asphalt went from \$62 per ton in 2018 to \$160 per ton in 2024.

New regulations have also increased the cost of road maintenance. Our crews for paint striping and chip sealing had to be expanded by 25% just to meet current regulatory requirements for construction site safety and public safety. Regulatory requirements for training have increased, resulting in the addition of one employee and other additional costs to keep employees current with mandated training.

If we do not increase revenues to make up, at least in part, for these rising costs, then we all will experience the cost of degraded road infrastructure. That may not happen overnight, but once we start down that path, it's almost impossible – and certainly more expensive – to turn around and catch up.

Utilizing deferred taxing authority (banked capacity) in the General Fund (approximately \$3.9 million), we project General Fund revenues to amount to \$131.9 million in 2025 and \$133.3 in 2026, compared to \$129.0 in 2024. Similarly, taking the \$3.7 million in Road Fund banked capacity will bring that fund's revenues to \$32.3 million in 2025 and \$32.6 million in 2026, compared to \$35 million in 2024.

Looking forward

The budget as presented corrects our course away from deficit spending, preserving a fund balance that will protect the County from future shocks and position us well to bond for major upcoming capital projects. However, our work doesn't stop here. My administration is committed to engage in ongoing long-term financial planning for all funds, supporting fiscal note requirements to inform policy decisions, and conducting a budget priority exercise with the Council in 2025 to identify efficiencies and ongoing spending reductions to further stabilize the County's finances for future administrations and councils.

Thinking about the future, I want to speak to the issues that we have not been able to fully address in the County budget. I want everyone to know that I hear the frustrations and despair brought forward in public comment and witness with my own eyes the everyday struggles of our neighbors. I understand the existential dread of our younger generation with regard to climate change. It is an overwhelming task to balance these challenges against our organizational needs and our constrained budget.

While we may not have sufficient local resources to adequately address these challenges, there are actions that we can take to make progress.

First, we can and do actively advocate with the state and federal government to provide more assistance. And we have achieved some successes, for example, with the Anne Deacon Center for Hope, Way Station,

Crisis Relief Center, Alternate Response Team and LEAD, and much more. We are devoting a lot of time and energy to make these things happen, and we'll continue to do that.

Second, we are using our dedicated revenue streams, like the Healthy Children's Fund, Behavioral Health Fund, opioid settlement dollars and Conservation Futures, to build up a social safety net, protect the environment, expand childcare and healthcare access, open severe weather shelters, and combat the fentanyl crisis. These problems are not of our own making, and we are under-resourced to address them; nonetheless, we are using what limited funds we have to improve lives.

Third, we use General Fund revenues to support mandatory services, improve customer wait times, and create a strong backbone for the organization. We need a strong and healthy organization to deliver on our community commitments, to advocate for more support, and to be prepared to take advantage of and manage the grant opportunities that arise.

Finally, I want to express my sincere gratitude to the entire County team doing the hands-on the work and making a positive impact on our community in so many different ways. When I see your dedication and commitment to public service, I know that the future for Whatcom County is bright!