



Kitsap County
Department of Administrative Services
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Amber Dunwiddie
Director

MEMORANDUM

TO: All Elected Officials and Department Heads
FROM: Amber Dunwiddie, Administrative Services Director
SUBJECT: Notice to File 2026 Annual Budget Requests (RCW 36.40.010)
DATE: July 14, 2025

A handwritten signature in blue ink that reads "Amber Dunwiddie".

1. Our Financial Reality

In accordance with RCW 36.40.010, this memorandum officially opens the Kitsap County FY 2026 budget process and provides the parameters for submitting departmental requests.

Kitsap County continues to confront a structural deficit projected at approximately \$8 million in FY 2026 with comparable gaps anticipated in subsequent years. As detailed in the County's June 2025 public communication on the county-wide hiring freeze, revenue growth (constrained by the statutory 1 percent cap on property taxes and moderating sales-tax trends) remains insufficient to match expenditure growth, particularly in personnel and mandated service costs.

The hiring freeze was designed to capture natural attrition savings while signaling specific direction for budget cuts as part of the current planning period. These measures mark the first phase of a multi-year strategy to align recurring expenditures with forecasted revenues while protecting core services.

2. General Fund Forecast


The table below presents the updated three-year General Fund forecast produced in June 2025. The projections incorporate the budget-cut targets described in Section 5.

Table 1. Preliminary 3-Year General Fund Forecast by Category

Revenue Source	2025 Budget	2025 Projection	2026 Projection	2027 Projection	2028 Projection
Property Tax	\$40,054,500	\$40,036,500	\$40,683,625	\$41,438,747	\$42,208,972
Sales Tax	\$44,810,193	\$46,410,193	\$48,692,709	\$49,720,573	\$51,256,695
Other Taxes	\$2,547,000	\$2,343,585	\$2,464,070	\$2,445,762	\$2,429,225
Licenses & Permits	\$139,000	\$142,414	\$143,290	\$143,290	\$143,290
Intergovernmental	\$13,788,288	\$13,545,028	\$13,360,395	\$13,561,061	\$13,810,804
Charges for Service	\$7,877,821	\$7,937,766	\$8,338,915	\$8,528,760	\$8,723,820
Fines & Forfeits	\$1,430,550	\$1,435,171	\$1,545,170	\$1,544,788	\$1,544,419
Miscellaneous	\$12,069,882	\$13,563,022	\$12,429,167	\$10,069,397	\$8,910,218
Other Sources	\$9,064,066	\$8,959,066	\$6,072,924	\$6,072,924	\$6,072,924
Total Revenues	\$131,781,300	\$134,372,745	\$133,730,265	\$133,525,307	\$135,100,367

Expenditure Category	2025 Budget	2025 Projection	2026 Projection	2027 Projection	2028 Projection
Salaries	\$70,802,194	\$71,728,356	\$70,253,600	\$71,269,424	\$73,315,564
Benefits	\$22,843,532	\$22,124,745	\$20,993,038	\$21,191,328	\$22,046,917
Supplies	\$3,386,594	\$2,990,782	\$4,212,928	\$4,239,789	\$4,267,187
Services	\$16,598,646	\$17,219,067	\$18,276,809	\$20,123,674	\$20,644,006
Intergovernmental	\$2,686,841	\$2,967,059	\$2,874,919	\$2,961,167	\$3,050,002
Interfund Payments	\$16,109,900	\$16,107,900	\$16,128,122	\$16,655,382	\$17,200,910
Capital & Debt	\$108,400	\$50,000	\$108,400	\$108,400	\$108,400
Other Uses	\$1,445,193	\$1,663,193	\$3,945,193	\$445,193	\$445,193
Total Expenditures	\$133,981,300	\$134,851,102	\$136,793,011	\$136,994,359	\$141,078,181
Estimated Ending Fund Balance	\$34,652,853	\$36,374,495 27.2%	\$33,311,750 24.9%	\$29,842,698 22.1%	\$23,864,884 17.3%

3. Key Internal Resources

- [Budget Process SharePoint](#)
- [PowerBI Financial Dashboards \(YTD May 2025\)](#)
- [Adaptive Planning Workday Entry Portal](#)  Adaptive Planning

4. Forecast Analysis – Major Drivers

- Personnel Costs (70 percent of total expenses): Salaries & Benefits are forecast to rise 3 percent in 2026, and some reduction of headcount is assumed. Vacancy savings will again be budgeted at 3 percent. Medical benefits costs continue to outpace departmental contributions.
- Legislative changes like [ESSB 5814](#) (services newly subject to retail sales tax) and [ESSB 5357](#) (PERS contribution rate changes) are included in the forecast.
- Sales Tax Volatility: Following a 1.5 percent increase in 2023 and 3 percent in 2024, sales tax growth is currently performing 5 percent better through April 2025. This forecast includes 4 percent growth in 2026 beyond the April trend.
- Interest Earnings: Short-term investment revenue remains elevated in 2025 but is forecast to decline by \$4 million across the outlook as interest rates normalize.
- Mandated Cost Pressures: Jail medical services have climbed 217 percent since 2018 and continue to outpace inflationary growth. A recent Washington State Supreme Court order regarding standards for indigent defense services will also require investment in salaries and contract services.
- Strategic use of fund balance is planned to reduce annual debt services payments and lower base operating costs through FY 2032.
- At least \$2 Million of fund balance is programmed annually resulting in depletion of reserves below required minimums by the end of FY 2028.

5. Budget Development Direction & Guiding Principles

- Balance Without Reserves – All funds must balance recurring revenues and recurring expenditures.

- b. No Ongoing Uses of One-Time Revenue – Investment earnings and other one-time sources cannot fund permanent positions or programs.
- c. Programmatic Justification – New initiatives must consolidate or restructure existing activity or be fully offset by new revenues.
- d. Stabilize Internal Service Charges – No departmental internal service-fund rate increases may be proposed for FY 2026.
- e. Strategic Use of Fund Balance - It is acceptable for a department to submit a program budget where expenditures exceed recurring revenues only when the variance represents a strategic, one-time deployment of fund balance—such as investing in capital equipment, facility improvements, or other non-recurring purchases. Fund balance may also be used to support ongoing expenditures provided the department presents a clear, multi-year spending-reduction plan. If any department proposes a budget in which the fund’s expenditures exceed revenues, the employing official must flag the issue in its narrative and be prepared to discuss the corrective plan in detail with the Board during budget hearings.
- f. Transparency & Community Engagement – Materials will be publicly available, and the Budget Review Committee will include community and labor representatives.

6. Required Fiscal-Impact Targets

Each General Fund department must submit line-item changes that meet or exceed the FY 2026 reduction target of \$4,020,000 county-wide. Attachment A lists departmental minimum targets; for example:

Department*	2025 Budget	Required 2026 Impact	2027 Target
Sheriff	\$58,065,878	(\$1,741,976)	TBD
District Court	\$4,932,778	(\$147,983)	(\$110,988)
Parks	\$6,582,124	(\$197,464)	(\$148,098)

see full list in Attachment A

Budget staff will memorialize any fiscal impact exceeding a department’s FY 2026 target and apply the amount toward their preliminary FY 2027 target (\$1,430,000 aggregate).

Submission Requirements

- Line-Item Entry Deadline: Friday, August 8, 2025
- Presentation Materials: Upload to Website by September 5, 2025 (template provided).
- Budget Review Hearings: September 15–19 (in-person & Zoom hybrid).

7. Next Steps & Support

Budget analysts are available to assist departments throughout July and August:

- Kristofer Carlson – 360-337-4417
- Melissa Melloy – 360-337-7055
- Toby Linzmeier – 360-307-4289

We appreciate your partnership as we continue to protect essential services and steward taxpayer resources responsibly. Please contact the Budget Office with any questions and monitor the DAS SharePoint for updated materials.

Attachments:

A – 2026 Budget Process Memo (June 2nd, 2025) - Departmental Fiscal-Impact Targets for FY 2026 & FY 2027



Kitsap County
Department of Administrative Services

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Kristofer Carlson
Budget Manager

MEMORANDUM

TO: All Elected Officials and Department Heads
FROM: Kristofer Carlson, Budget Manager
SUBJECT: 2026 Budget Process
DATE: June 2, 2025

Below is a chart that identifies required amounts for budget impacts to be documented as part of the 2026 budget process. Departments must identify specific changes that meet or exceed the required 2026 fiscal impact, verified by the Budget Manager as being not already part of planned inflationary increases. The following are examples of specific changes:

- Supplies/Services budget line items being reduced
- Elimination of budgeted positions
- New revenue
- Increased revenues as a result of a specific management action such as a rate/fee change

The end of this document displays a summary forecast that reflects departments meeting \$4 Million in required fiscal impact changes in 2026. As requested, a target has been provided for 2027 (\$1.4 Million) for predictability. If a department's proposed changes in 2026 exceed the required amount, the Board is interested in giving that department credit for a fiscal impact change that exceeds the 2026 amount. Interfund charges must be submitted without increase in 2026 whereas internal service funds must seek ways to absorb cost increases using examples detailed above. All these changes are included in the forecast.

Departments to Retain 2025 Budget & Absorb Status Quo Impacts

Department <i>General Fund Programs</i>	2025 Budget	% of Budget	Required 2026 Fiscal Impact	Estimated 2027 Target <i>(if 2026 is met)</i>
Human Services	863,625	1%	\$ (25,909)	\$ (19,432)
Emergency Management	1,298,878	1%	\$ (38,966)	\$ (29,225)
District Court	4,932,778	4%	\$ (147,983)	\$ (110,988)
Human Resources	2,295,148	2%	\$ (68,854)	\$ (51,641)
Sheriff	58,065,878	43%	\$ (1,741,976)	<i>TBD</i>
County Commissioners	2,594,286	2%	\$ (77,829)	\$ (58,371)
Treasurer	1,656,079	1%	\$ (49,682)	\$ (37,262)
Parks	6,582,124	5%	\$ (197,464)	\$ (148,098)
Public Defense	5,208,250	4%	\$ (156,248)	\$ (117,186)
Assessor	3,478,837	3%	\$ (104,365)	\$ (78,274)
Medical Examiner	1,757,112	1%	\$ (52,713)	\$ (39,535)
Auditor	2,763,537	2%	\$ (82,906)	\$ (62,180)
Community Development	2,976,947	2%	\$ (89,308)	\$ (66,981)
Superior Court	4,494,144	3%	\$ (134,824)	\$ (101,118)
Clerk	4,838,011	4%	\$ (145,140)	\$ (108,855)
Administrative Services	1,100,851	1%	\$ (33,026)	\$ (24,769)
Prosecutor	12,357,831	9%	\$ (370,735)	<i>TBD</i>
Juvenile	9,518,989	7%	\$ (285,570)	\$ (214,177)
General Admin & Ops	7,197,995	5%	\$ (215,940)	\$ (161,955)
Total	133,981,300		\$ (4,019,439)	\$ (1,430,046)

Interfund Department Charges - No Rate Increases in 2026 \$ 500,000 *TBD*

Kitsap County General Fund 6 Year Forecast

Draft

Estimated Beginning Fund Balance	\$ 36,852,853	\$ 36,852,853	\$ 33,790,108	\$ 30,321,056	\$ 24,343,242	\$ 16,759,525	\$ 7,374,429
Revenue Source	2025 Budget	2026	2027	2028	2029	2030	2031
Property Tax	\$ 40,054,500	\$ 40,683,625	\$ 41,438,748	\$ 42,208,972	\$ 42,994,602	\$ 43,795,944	\$ 44,613,313
Sales Tax	\$ 44,810,193	\$ 48,692,709	\$ 49,720,574	\$ 51,256,695	\$ 53,204,449	\$ 55,226,219	\$ 57,324,815
Other Taxes	\$ 2,547,000	\$ 2,464,070	\$ 2,445,763	\$ 2,429,225	\$ 2,414,432	\$ 2,401,361	\$ 2,389,989
Licenses & Permits	\$ 139,000	\$ 143,290	\$ 143,290	\$ 143,290	\$ 143,290	\$ 143,290	\$ 143,290
Intergovernmental	\$ 13,788,288	\$ 13,360,395	\$ 13,561,062	\$ 13,810,804	\$ 14,066,893	\$ 14,329,497	\$ 14,598,786
Charges for Service	\$ 7,877,821	\$ 8,338,915	\$ 8,528,761	\$ 8,723,820	\$ 8,924,224	\$ 9,130,111	\$ 9,341,621
Fines & Forfeits	\$ 1,430,550	\$ 1,545,170	\$ 1,544,789	\$ 1,544,419	\$ 1,544,059	\$ 1,543,709	\$ 1,543,370
Miscellaneous	\$ 12,069,882	\$ 12,429,167	\$ 10,069,397	\$ 8,910,218	\$ 8,193,478	\$ 7,306,748	\$ 6,753,891
Other Sources	\$ 9,064,066	\$ 6,072,924	\$ 6,072,924	\$ 6,072,924	\$ 6,072,924	\$ 6,072,924	\$ 6,072,924
Total Revenues	\$131,781,300	\$133,730,266	\$133,525,307	\$135,100,367	\$137,558,352	\$139,949,802	\$142,781,999

Expenditures	2025 Budget	2026	2027	2028	2029	2030	2031
Salaries	\$ 70,802,194	\$ 70,253,600	\$ 71,269,425	\$ 73,315,564	\$ 75,422,924	\$ 77,593,338	\$ 79,828,694
Benefits	\$ 22,843,532	\$ 20,993,038	\$ 21,191,328	\$ 22,046,917	\$ 22,783,899	\$ 23,548,068	\$ 24,340,443
Supplies	\$ 3,386,594	\$ 4,212,928	\$ 4,239,789	\$ 4,267,187	\$ 4,295,134	\$ 4,323,639	\$ 4,352,714
Services	\$ 16,598,646	\$ 18,276,810	\$ 20,123,674	\$ 20,644,006	\$ 21,179,636	\$ 21,731,015	\$ 22,298,610
Intergovernmental	\$ 2,686,841	\$ 2,874,920	\$ 2,961,167	\$ 3,050,002	\$ 3,141,503	\$ 3,235,748	\$ 3,332,820
Interfund Payments	\$ 16,109,900	\$ 16,128,122	\$ 16,655,382	\$ 17,200,910	\$ 17,765,381	\$ 18,349,498	\$ 18,953,993
Capital & Debt	\$ 108,400	\$ 108,400	\$ 108,400	\$ 108,400	\$ 108,400	\$ 108,400	\$ 108,400
Other Uses	\$ 1,445,193	\$ 3,945,193	\$ 445,193	\$ 445,193	\$ 445,193	\$ 445,193	\$ 445,193
Total Expenditures	\$133,981,300	\$136,793,011	\$136,994,359	\$141,078,181	\$145,142,069	\$149,334,898	\$153,660,867

Increase/Decrease Reserves	\$ -	\$ (1,062,745)	\$ (1,469,052)	\$ (3,977,814)	\$ (5,583,717)	\$ (7,365,096)	\$ (8,878,868)
Programmed Use of Fund Balance		\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
Ending Fund Balance	\$ 36,852,853	\$ 33,790,108	\$ 30,321,056	\$ 24,343,242	\$ 16,759,525	\$ 7,374,429	\$ (3,504,438)
Policy Minimum - Cash Flow	\$ 22,288,378	\$ 22,254,218	\$ 22,516,728	\$ 22,926,392	\$ 23,324,967	\$ 23,797,000	
Net Ending Fund Balance	\$14,564,476	\$11,535,890	\$7,804,328	\$1,416,850	(\$6,565,442)	(\$16,422,571)	
% Reserves	10.89%	8.64%	5.78%	1.03%	-4.69%	-11.50%	