

FY2019 Projected General Fund budget narrative

Overview: Various assumptions were made for revenues and expenditures based on factors such as inflation, projected fee increases, use of one time revenues, etc. as the summary below shows. We have attempted to include additional explanations to any deviations from these status quo assumptions in the sections below where the impact may be considered significant. It is anticipated that the projected deficit in FY2019 will be minimized through a combination of revenue enhancements and expenditure reductions that have yet to be determined.

Revenue Narrative: Overall revenues are expected to decrease by approximately 2% in FY2019 compared to the FY2018 revised budget. Property Taxes, previously on a downward trend, began stabilizing with the FY2015 budget, and are continuing to increase and it is assumed that property tax revenues will increase by almost 1% in FY2019. Charges for Services are anticipated to decrease largely as a result of an anticipated reduction in the indirect cost allocation charges to County departments. Investment income is expected to decrease by just over 10% due to an interfund loan being paid down and reducing interest revenue to the General Fund accordingly. State Revenues are expected to decrease by almost 8% due to grants anticipated to end after FY2018 but being offset with a 1% increase in State Revenue Sharing, a 2% increase to Personal Property Tax Replacement, and remaining state revenue being flat. Interfund Transfers In are anticipated to decrease by just over 22% due to reduced transfers from Delinquent Tax funds into the General Fund as well as a one-time transfer in from the Public Improvement fund in FY2018 that will not occur in FY2019.

Expenditure Narrative: Expenditures overall are expected to increase by approximately 8% in FY2019 compared to the FY2018 revised budget. Several factors are contributing to this. The biggest cost driver is the County labor workforce, which consists of over 50% of the County General Fund expenditure budget. FY2019 assumes that roughly one-half of the County employees will be eligible for a merit increase at some point during FY2019. Generally, a step increase amounts to a 5% increase in pay and this affects salaries as well as percentage-based fringe benefits. Retirement costs are anticipated to increase by approximately 12% due to an anticipated increase in the County Annual Required Contribution (ARC) provided by Municipal Employees' Retirement System (MERS) forecasts. Medical insurance premium costs are increasing by 9% in January 2018 which is less than we originally anticipated. A conservative estimate in premium increases of 6% has been used for FY2019 projection purposes. Dental Insurance costs are anticipated to increase by 2.5%. Contributions to the Other Post Employment Benefit (OPEB) trust fund are anticipated to remain flat for the foreseeable future. A 5% increase is assumed for Interfund Transfers Out to most funds that receive a General Fund subsidy. The most notable exception is with the transfer out to the County Jail/JTC debt service fund. FY2018 will see a sizeable decrease in interest expense due to anticipated refinancing of the debt. However, FY2019 will see the first principal payment due in addition to interest. The amount the General Fund will have to cover is \$2,829,882. These taken together reflect an almost 20% increase in Interfund Transfers Out.

MUSKEGON COUNTY
FY2018-2019 PROJECTED BUDGET
SUMMARY OF REVENUE AND EXPENDITURE CLASSIFICATIONS

Fiscal Year:	% change		
	Revised 2017-18	Estimate 2018-19	2017-18 Revised 2018-19 Estimate
<u>REVENUE CLASSIFICATIONS</u>			
TAXES	25,530,844	25,773,993	0.95%
CHARGES FOR SERVICES	9,979,260	9,728,553	-2.51%
STATE	6,141,251	5,656,872	-7.89%
TRANSFERS	2,647,223	2,051,169	-22.52%
CONTRIBUTIONS FROM PRIVATE SOURCES	1,217,629	1,244,760	2.23%
OTHER	1,225,489	1,228,927	0.28%
FINES AND FORFEITURES	545,236	551,137	1.08%
FEDERAL	47,294	48,199	1.91%
RENTALS	114,439	115,583	1.00%
INVESTMENT INCOME	90,845	81,258	-10.55%
SPECIAL ASSESSMENTS	11,200	11,200	0.00%
LICENSES AND PERMITS	6,200	6,262	1.00%
GAIN ON SALE	-	95	n/a
TOTAL REVENUES	47,556,910	46,498,010	-2.23%
<u>EXPENDITURE CLASSIFICATIONS</u>			
SALARIES	16,369,431	17,150,888	4.77%
FRINGES	9,331,626	10,206,545	9.38%
TRANSFERS	10,798,688	12,916,552	19.61%
CONTRACTUAL SERVICES	4,105,731	4,071,719	-0.83%
OTHER	1,917,898	1,876,169	-2.18%
OVERHEAD	2,225,751	2,229,854	0.18%
SUPPLIES	930,853	948,980	1.95%
UTILITIES	810,888	835,530	3.04%
INSURANCE PREMIUMS	727,793	742,349	2.00%
STAFF DEVELOPMENT & TRAVEL	321,877	315,635	-1.94%
INSURANCE BENEFITS AND CLAIMS	8,924	9,102	2.00%
INTEREST EXPENSE	4,950	4,913	-0.74%
CAPITAL OUTLAY	2,500	2,500	0.00%
TOTAL EXPENDITURES	47,556,910	51,310,737	7.89%
Net General Fund Surplus (Deficit)	0	(4,812,727)	
Unassigned Fund Balance, beginning of year	7,233,440	7,233,440	
Unassigned Fund Balance, end of year	7,233,440	2,420,713	

GENERAL ASSUMPTIONS

**Estimate
2018-19 Assumption used for:**

Category:	Estimate	2018-19 Assumption used for:
General Inflation	2.00%	General overhead expenses such as printing, office supplies, postage, etc.
Property Taxes	1.00%	Property tax revenue and expense
State Rev Sharing	1.00%	State revenue share reimbursement
PPT Essential Svcs	2.00%	Personal property tax reimbursement
State Court Fund Dist	0.00%	Court judicial salary reimbursement; State Court Fund disbursement
Court Costs	1.30%	Court fee revenues
Fees, Lic, Permits	1.00%	Fees generated by county departments
DTRF appropriation	-5.00%	Transfer in from Delinquent Tax fund
No Change	0.00%	Miscellaneous overhead accounts not generally subject to inflation
Zero Out	-100.00%	Revenue & expenditure items that represent one time costs or revenues that will be dropping off in FY2019
Avg 4 prior yrs		Various revenue & expense accounts where there is no real trend that can be used for projecting forward. Assume 4 year average using 14-15, 15-16, 16-17 revised, and 17-18 revised
Wages	4.50%	Wages & premium earning expense
Medical Ins	6.00%	Medical insurance expense
Dental Ins	2.50%	Dental insurance expense
Vision Ins	1.00%	Vision Insurance expense
Longevity	-5.00%	Payments to employees based on years of service. Not available to new hires
Retirement	12.00%	Pension expense as projected by MERS
OPEB	4.50%	Retiree health care expense
Utilities	4.00%	Electric, natural gas, water service expense
IT Support	2.00%	Information Tech support chargebacks to departments from IT internal svc fund
Cost of Living	-5.00%	Payments to employees based on years of service. Not available to new hires