

## **FY2022 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, one time expenditures, 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 FY2022 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 increase by almost 3% in FY2022 compared to the FY2021 adopted 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 3% in FY2022. State Revenues are expected to increase by approximately 10% in FY2022. The primary reason is that the FY2021 adopted budget assumed the State Revenue Sharing allocation would be reduced by approximately \$600,000, but the recent adoption of the FY2021 State budget includes full funding of State Revenue Sharing for Counties. The Muskegon County FY2021 budget has yet to be amended to reflect the restoration of the full State Revenue Sharing allocation. The full amount plus an additional 1% increase has been included in the FY2022 projection. Federal Revenues are expected to increase by approximately 5% due to a slight upward trend in grant revenues over the last couple of years. Inter-fund Transfers In are anticipated to decrease by just over 12% in FY2022 due in part to reduced transfers from Delinquent Tax funds into the General Fund as well as one-time transfers into the General Fund that are budgeted in FY2021 that will not occur in FY2022.

**Expenditure Narrative:** Expenditures overall are expected to increase by just over 2% in FY2022 compared to the FY2021 adopted budget. Several factors are contributing to this. The biggest cost driver is the County labor workforce, which consists of approximately 50% of the County General Fund expenditure budget. It is assumed that roughly one-half of the County employees will be eligible for a merit increase at some point during FY2022. Generally, a merit increase amounts to a 5% increase in pay and this affects salaries as well as percentage-based fringe benefits. Retirement expenditures are expected to increase by about 20% due to a change in the investment rate of return assumption that was used in the most recent Municipal Employees' Retirement System (MERS) annual actuarial valuation plan provided by the fiduciary agency. Actions have taken place over the last couple years to restructure the pension cost burden for the defined benefit pension plan, including a reduction in future employee benefits, an extension of the amortization period, as well as the issuance of pension bonds. Actions have also taken place over the last couple of years to lower the unfunded liability and cost burden for Other Post-Employment Benefits (OPEB), such as changing the retiree insurance plans and providers (reduction in Medicare Advantage premium costs), as well as benefit structure changes for future retirees'. This has allowed Muskegon County a moratorium on charging departments for OPEB in FY2021 as well as FY2022. The results of all of these actions are the leveling out of the annual pension contribution obligation and as well as the reduction of the annual OPEB contribution obligation. Medical insurance costs are expected to decrease by 5% and dental insurance costs are anticipated to increase by 1.5% in FY2022, both due to projected premium cost changes. Capital outlay costs are expected to decrease significantly in FY2022 due to several capital projects that were approved in the FY2021 adopted budget that will not occur in FY2022 and beyond.

MUSKEGON COUNTY  
 FY2021-22 GENERAL FUND FORECAST  
 SUMMARY OF REVENUE AND EXPENDITURE CLASSIFICATIONS

Fiscal Year:	Revised Budget 2019-20	Adopted Budget 2020-21	Estimate 2021-22	% change 2020-21 Adopted 2021-22 Estimate
<b><u>REVENUE CLASSIFICATIONS</u></b>				
TAXES	27,817,033	28,276,463	29,068,501	2.80%
CHARGES FOR SERVICES	8,689,471	9,499,861	9,543,121	0.46%
STATE	5,704,831	5,964,861	6,538,118	9.61%
TRANSFERS	1,236,262	1,591,328	1,395,000	-12.34%
CONTRIBUTIONS FROM PRIVATE SOURCES	2,084,052	1,867,065	1,932,769	3.52%
OTHER	1,427,440	1,471,306	1,497,964	1.81%
FINES AND FORFEITURES	534,053	594,219	598,771	0.77%
FEDERAL	2,438,342	48,644	51,001	4.84%
RENTALS	130,168	125,998	127,258	1.00%
INVESTMENT INCOME	70,001	70,000	70,004	0.01%
SPECIAL ASSESSMENTS	77,090	80,000	80,000	0.00%
LICENSES AND PERMITS	5,415	5,900	5,959	1.00%
PENSION BOND PROCEEDS	5,220,000	-	-	na
<b>TOTAL REVENUES</b>	<b>55,434,158</b>	<b>49,595,645</b>	<b>50,908,464</b>	<b>2.65%</b>
<b><u>EXPENDITURE CLASSIFICATIONS</u></b>				
SALARIES	16,152,204	16,650,508	17,309,704	3.96%
FRINGES	7,731,654	8,115,025	8,320,583	2.53%
TRANSFERS	13,856,357	13,790,171	14,172,654	2.77%
CONTRACTUAL SERVICES	4,466,336	4,144,044	4,152,869	0.21%
OTHER	8,048,613	2,671,172	2,735,978	2.43%
OVERHEAD	2,090,211	2,266,329	2,293,092	1.18%
SUPPLIES	938,531	968,917	996,466	2.84%
UTILITIES	734,089	690,232	716,053	3.74%
INSURANCE PREMIUMS	1,026,343	1,026,343	1,077,660	5.00%
STAFF DEVELOPMENT & TRAVEL	222,018	276,529	264,314	-4.42%
INSURANCE BENEFITS AND CLAIMS	9,842	9,842	10,334	5.00%
INTEREST EXPENSE	5,050	5,717	5,190	-9.22%
PENSION BOND DISTRIBUTION	66,692	-	-	na
DEBT SERVICE	300	432,086	430,663	-0.33%
CAPITAL OUTLAY	750	377,817	39,670	-89.50%
<b>TOTAL EXPENDITURES</b>	<b>55,348,990</b>	<b>51,424,732</b>	<b>52,525,229</b>	<b>2.14%</b>
<b>Net General Fund Surplus (Deficit)</b>	<b>85,168</b>	<b>(1,829,087)</b>	<b>(1,616,765)</b>	
<b>Unassigned Fund Balance, beginning of year</b>	9,668,064	9,753,232	7,924,145	
Changes within fund balance categories				
<b>Unassigned Fund Balance, end of year</b>	9,753,232	7,924,145	6,307,380	