

## **FY2023 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 FY2023 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 approximately 1.5% in FY2023 compared to the FY2022 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 approximately 3% in FY2023. State Revenues are expected to increase by approximately 1% in FY2023. The State Revenue Sharing allocation assumes a 2% increase in the FY2023 projection. Federal Revenues are expected to increase by between 6% and 7% 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 11% in FY2023 due in part to reduced transfers from Delinquent Tax funds into the General Fund as well as a one-time transfer into the General Fund that is budgeted in FY2022 that will not occur in FY2023.

**Expenditure Narrative:** Expenditures overall are expected to increase by approximately 4% in FY2023 compared to the FY2022 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 FY2023. Generally, a merit increase amounts to an approximately 5% increase in pay and this affects salaries as well as percentage-based fringe benefits. A general salary increase of 2.5% was approved by the County Board of Commissioners after the adoption of the FY2022 budget, and therefore this general salary increase was not included in the original FY2022 budget. The FY2023 projected budget has been adjusted accordingly to reflect this increase carrying over from FY2022. Retirement expenditures are expected to increase by about 9%. 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 resulted in having a current funding status of 139%, which has allowed Muskegon County to continue a moratorium on charging departments for OPEB in FY2022 as well as FY2023. 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 increase by 9% and dental insurance costs are anticipated to increase by 4% in FY2023, both due to projected premium cost changes. Capital outlay costs are expected to decrease significantly in FY2023 due to several capital projects that were approved in the FY2022 adopted budget that will not occur in FY2023 and beyond.

MUSKEGON COUNTY  
FY2022-23 GENERAL FUND FORECAST  
SUMMARY OF REVENUE AND EXPENDITURE CLASSIFICATIONS

Fiscal Year:	Revised Budget 2020-21	Adopted Budget 2021-22	Estimate 2022-23	% change 2021-22 Adopted 2022-23 Estimate
<b><u>REVENUE CLASSIFICATIONS</u></b>				
TAXES	28,677,940	29,668,257	30,493,333	2.78%
CHARGES FOR SERVICES	8,849,840	9,248,127	9,266,312	0.20%
STATE	6,846,784	6,933,764	7,000,571	0.96%
TRANSFERS	1,537,575	1,660,000	1,475,000	-11.14%
CONTRIBUTIONS FROM PRIVATE SOURCES	3,032,943	2,568,750	2,617,619	1.90%
OTHER	2,125,326	2,176,799	2,198,827	1.01%
FINES AND FORFEITURES	479,000	459,100	457,606	-0.33%
FEDERAL	53,443	48,644	51,869	6.63%
RENTALS	125,145	136,047	137,407	1.00%
INVESTMENT INCOME	45,425	45,425	45,428	0.01%
SPECIAL ASSESSMENTS	64,454	68,000	68,000	0.00%
LICENSES AND PERMITS	5,900	5,900	5,959	1.00%
INTERGOVERNMENTAL REVENUE	-	31,566	-	na
<b>TOTAL REVENUES</b>	<b>51,843,775</b>	<b>53,050,379</b>	<b>53,817,931</b>	<b>1.45%</b>
<b><u>EXPENDITURE CLASSIFICATIONS</u></b>				
SALARIES	16,936,184	17,078,919	18,088,575	5.91%
FRINGES	7,026,068	8,609,853	9,267,074	7.63%
TRANSFERS	13,628,701	13,896,461	14,310,541	2.98%
CONTRACTUAL SERVICES	3,874,318	4,251,788	4,217,792	-0.80%
OTHER	4,715,824	4,305,347	4,377,037	1.67%
OVERHEAD	2,285,480	2,201,048	2,246,262	2.05%
SUPPLIES	1,116,376	1,038,598	1,064,465	2.49%
UTILITIES	719,703	738,094	765,836	3.76%
INSURANCE PREMIUMS	796,332	836,149	877,956	5.00%
STAFF DEVELOPMENT & TRAVEL	320,122	308,442	290,027	-5.97%
INSURANCE BENEFITS AND CLAIMS	8,023	8,424	8,845	5.00%
INTEREST EXPENSE	10,358	5,717	6,520	14.04%
PENSION BOND DISTRIBUTION	-	-	-	na
DEBT SERVICE	432,086	430,663	432,398	0.40%
CAPITAL OUTLAY	236,791	284,077	60,235	-78.80%
<b>TOTAL EXPENDITURES</b>	<b>52,106,366</b>	<b>53,993,580</b>	<b>56,013,563</b>	<b>3.74%</b>
<b>Net General Fund Surplus (Deficit)</b>	<b>(262,591)</b>	<b>(943,201)</b>	<b>(2,195,632)</b>	
<b>Unassigned Fund Balance, beginning of year</b>	9,461,745	9,461,745	9,461,745	
Changes within fund balance categories	262,591	943,201	742,284	
<b>Unassigned Fund Balance, end of year</b>	9,461,745	9,461,745	8,008,397	