

FY2021 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 FY2021 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 remain relatively flat in FY2021 compared to the FY2020 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 FY2021. Federal Revenues are expected to decrease by about 11% due to a downward trend in grant revenues over the last few years. Interfund Transfers In are anticipated to decrease by just over 8% due in part to reduced transfers from Delinquent Tax funds into the General Fund as well as a budgeted transfer in from the Public Improvement fund in FY2020 that will not occur in FY2021.

Expenditure Narrative: Expenditures overall are expected to increase by approximately 4% in FY2021 compared to the FY2020 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 FY2021. 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 decrease due to a change in the structure of pension costs for the defined benefit pension plan, including a reduction in future employee benefits, an extension of the amortization period, as well as the recent issuance of pension bonds. All of these actions are projected to level out the annual pension contributions. Medical insurance costs are expected to increase by 6% and dental insurance costs are anticipated to increase by 1.5% in FY2021 due to premium cost increases. A 10% increase is assumed for Interfund Transfers Out to funds that receive a General Fund subsidy due to a mix of assumptions such as inflation, salary & fringe benefit-related increases, and averaging expenditures over the last four fiscal years. Capital outlay projects are decreasing due to averaging expenditures over the last four fiscal years as well as various projects currently budgeted in FY2020 that will not occur in FY2021 and beyond.

MUSKEGON COUNTY
FY2020-21 GENERAL FUND FORECAST
SUMMARY OF REVENUE AND EXPENDITURE CLASSIFICATIONS

Fiscal Year:	Adopted		% change
	Budget	Estimate	2019-20 Adopted
	2019-20	2020-21	2020-21 Estimate
<u>REVENUE CLASSIFICATIONS</u>			
TAXES	27,796,809	28,583,016	2.83%
CHARGES FOR SERVICES	9,844,374	9,874,756	0.31%
STATE	6,582,757	6,650,251	1.03%
TRANSFERS	2,198,847	2,010,780	-8.55%
CONTRIBUTIONS FROM PRIVATE SOURCES	1,521,123	1,562,803	2.74%
OTHER	1,413,183	1,334,874	-5.54%
FINES AND FORFEITURES	601,936	602,209	0.05%
FEDERAL	44,444	39,348	-11.47%
RENTALS	133,476	134,811	1.00%
INVESTMENT INCOME	70,001	73,163	4.52%
SPECIAL ASSESSMENTS	77,090	77,090	0.00%
LICENSES AND PERMITS	5,400	5,454	1.00%
GAIN ON SALE	-	750	<u>n/a</u>
TOTAL REVENUES	50,289,440	50,949,304	1.31%
<u>EXPENDITURE CLASSIFICATIONS</u>			
SALARIES	16,645,293	17,304,727	3.96%
FRINGES	8,206,125	8,533,609	3.99%
TRANSFERS	13,993,296	15,392,030	10.00%
CONTRACTUAL SERVICES	4,189,714	4,181,977	-0.18%
OTHER	2,280,659	2,148,056	-5.81%
OVERHEAD	2,029,420	2,061,587	1.59%
SUPPLIES	903,058	901,269	-0.20%
UTILITIES	709,243	735,745	3.74%
INSURANCE PREMIUMS	934,529	957,892	2.50%
STAFF DEVELOPMENT & TRAVEL	281,614	271,941	-3.43%
INSURANCE BENEFITS AND CLAIMS	10,689	10,956	2.50%
INTEREST EXPENSE	5,050	5,593	10.76%
CAPITAL OUTLAY	100,750	16,248	<u>-83.87%</u>
TOTAL EXPENDITURES	50,289,440	52,521,631	4.44%
Net General Fund Surplus (Deficit)	-	(1,572,327)	
Unassigned Fund Balance, beginning of year	8,148,826	8,148,826	
Changes within fund balance categories			
Unassigned Fund Balance, end of year	8,148,826	6,576,499	