

FY2020 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 FY2020 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 FY2020 compared to the FY2019 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 FY2020. Contributions from Private Sources is expected to increase by just over 9% due to the success of the DTE Test & Tune program which provides households that qualify to receive furnace tune-ups or upgrades at a reduced cost to them. Federal Revenues are expected to decrease by almost 15% due to a downward trend in grant revenues over the last few years. Interfund Transfers In are anticipated to decrease by just over 31% 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 FY2019 that will not occur in FY2020.

Expenditure Narrative: Expenditures overall are expected to increase by approximately 3% in FY2020 compared to the FY2019 adopted 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. It is assumed that roughly one-half of the County employees will be eligible for a merit increase at some point during FY2020. 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 an anticipated change in the structure of pension costs for the defined benefit pension plan. Medical insurance costs are expected to increase by 6% due to premium cost increases as well as anticipated migration of employees from higher cost plans to lower cost plans. Dental Insurance costs are anticipated to increase by 1.5% in FY2020 due to premium cost increases. A 7% increase is assumed for Interfund Transfers Out to funds that receive a General Fund subsidy due to a mix of assumptions listed in the "General Assumptions" page of this report. Capital outlay projects are increasing due to averaging actual expenditures over the last four fiscal years.

MUSKEGON COUNTY
FY2019-20 GENERAL FUND FORECAST
SUMMARY OF REVENUE AND EXPENDITURE CLASSIFICATIONS

Fiscal Year:	Adopted Budget 2018-19	Estimate 2019-20	% change 2018-19 Adopted 2019-20 Estimate
<u>REVENUE CLASSIFICATIONS</u>			
TAXES	26,726,158	27,475,915	2.81%
CHARGES FOR SERVICES	9,199,203	9,222,769	0.26%
STATE	7,358,123	7,441,402	1.13%
TRANSFERS	2,801,579	1,928,969	-31.15%
CONTRIBUTIONS FROM PRIVATE SOURCES	1,159,640	1,265,779	9.15%
OTHER	1,241,619	1,264,283	1.83%
FINES AND FORFEITURES	575,236	566,917	-1.45%
FEDERAL	42,494	36,206	-14.80%
RENTALS	117,555	118,731	1.00%
INVESTMENT INCOME	61,251	60,707	-0.89%
SPECIAL ASSESSMENTS	38,000	38,000	0.00%
LICENSES AND PERMITS	6,200	6,262	1.00%
GAIN ON SALE	-	4,563	n/a
INTERGOVERNMENTAL REVENUE	-	-	n/a
UNCLASSIFIED	-	-	<u>n/a</u>
TOTAL REVENUES	49,327,058	49,430,501	0.21%
<u>EXPENDITURE CLASSIFICATIONS</u>			
SALARIES	16,708,817	17,451,209	4.44%
FRINGES	8,517,393	8,560,445	0.51%
TRANSFERS	13,276,900	14,233,418	7.20%
CONTRACTUAL SERVICES	4,163,651	4,088,439	-1.81%
OTHER	1,848,705	1,835,915	-0.69%
OVERHEAD	2,070,307	2,098,996	1.39%
SUPPLIES	857,891	874,543	1.94%
UTILITIES	726,840	752,905	3.59%
INSURANCE PREMIUMS	851,280	868,306	2.00%
STAFF DEVELOPMENT & TRAVEL	290,754	285,020	-1.97%
INSURANCE BENEFITS AND CLAIMS	8,820	8,996	2.00%
INTEREST EXPENSE	4,950	5,525	11.61%
CAPITAL OUTLAY	750	34,951	<u>4560.17%</u>
TOTAL EXPENDITURES	49,327,058	51,098,670	3.59%
Net General Fund Surplus (Deficit)	-	(1,668,169)	
Extraordinary Item - Brookhaven	-	-	
Unassigned Fund Balance, beginning of year	6,687,882	6,687,882	
Changes within fund balance categories			
Unassigned Fund Balance, end of year	6,687,882	5,019,713	