

## **FY2024 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 FY2024 will be minimized through a combination of revenue enhancements and expenditure reductions that have yet to be determined.

**Revenue Narrative:** Revenues overall are expected to remain flat in FY2024 compared to the FY2023 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 FY2024. State Revenues are expected to increase by approximately 1% overall in FY2024. The State Revenue Sharing allocation assumes a 2% increase in FY2024 which is offset by other minor decreases in State funding for an overall 1% increase in the State Revenue category. Inter-fund Transfers In are anticipated to decrease by 100% in FY2024 due to a FY2023 budgeted transfer from Delinquent Tax fund that is not expected to occur in FY2024.

**Expenditure Narrative:** Expenditures overall are expected to increase by approximately 1% in FY2024 compared to the FY2023 adopted budget. Several factors are contributing to this. A big cost driver is the County labor workforce, which consists of approximately 47% of the County General Fund expenditure budget. It is assumed that County employees that have not reached the top step in their respective pay scale will be eligible for and receive a merit increase at some point during FY2024. Generally, a merit increase amounts to an approximately 5% increase in pay and this affects salaries as well as percentage-based fringe benefits. Included in the salary category are Cost of Living and Longevity payments that occur annually in December. It is assumed that these payments will remain flat from FY2023 to FY2024. There are also stipend payments included in the FY2023 budget that are not expected to occur in FY2024. All of these factors contribute to an approximately 3% increase in salaries for FY2024.

In the fringes category, retirement expenditures are expected to decrease by about 10% from FY2023 to FY2024. This is largely due to a reduction in defined benefit pension costs per the latest actuarial valuation as well as reduced departmental charges for the annual repayment on the County's pension obligation bonds. Actions have taken place in recent 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 in recent 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 and favorable return on investment. This has resulted in having a current funding status of 114%, which has allowed Muskegon County to continue a moratorium on charging departments for OPEB in FY2023 as well as FY2024. 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 7% and dental insurance costs are expected to increase by 5% in FY2024, both due to projected premium cost changes. All of these items are contributing to an increase to fringes of almost 2% for FY2024.

## **FY2024 Projected General Fund budget narrative (continued)**

Contractual services and staff development / travel are expected to decrease in FY2024 by approximately 7% and 10% respectively due to an inflationary increase assumption of approximately 5% as well as an assumption that certain costs budgeted in FY2023 that will not occur in FY2024. Interest expenses for FY2024 are expected to decrease approximately 16% due to lower bond interest payments. Capital outlay costs are expected to decrease significantly in FY2024 due to several capital projects that were approved in the FY2023 adopted budget that will not occur in FY2024.

Transfers are expected to decrease overall by just over 1% in FY2024. Many of the factors stated above are included in departments that receive a General Fund subsidy. In addition, there are costs budgeted in FY2023 that will not occur in FY2024 which results in this slight decrease in transfers from FY2023 to FY2024.

All other costs are expected to increase in FY2024 largely due to an expected inflationary increase of 5%.

MUSKEGON COUNTY  
FY2023-24 GENERAL FUND FORECAST  
SUMMARY OF REVENUE AND EXPENDITURE CLASSIFICATIONS

Fiscal Year:	Revised Budget 2021-22	Adopted Budget 2022-23	Estimate 2023-24	% change 2022-23 Adopted 2023-24 Estimate
<b>REVENUE CLASSIFICATIONS</b>				
TAXES	31,137,298	32,430,080	33,313,699	2.72%
CHARGES FOR SERVICES	8,735,247	8,763,490	8,812,567	0.56%
STATE	7,204,540	7,446,147	7,527,562	1.09%
TRANSFERS	6	1,113,959	-	-100.00%
CONTRIBUTIONS FROM PRIVATE SOURCES	4,326,596	4,390,000	4,503,733	2.59%
OTHER	2,639,145	2,644,785	2,633,174	-0.44%
FINES AND FORFEITURES	464,000	479,000	473,346	-1.18%
FEDERAL	60,658	55,814	56,140	0.58%
RENTALS	133,132	134,118	135,459	1.00%
INVESTMENT INCOME	45,425	45,425	45,418	-0.02%
SPECIAL ASSESSMENTS	76,539	80,527	80,527	0.00%
LICENSES AND PERMITS	5,900	5,900	5,959	1.00%
INTERGOVERNMENTAL REVENUE	25,000	25,000	25,000	0.00%
<b>TOTAL REVENUES</b>	<b>54,853,486</b>	<b>57,614,245</b>	<b>57,612,584</b>	<b>0.00%</b>
<b>EXPENDITURE CLASSIFICATIONS</b>				
SALARIES	17,807,919	18,796,353	19,414,912	3.29%
FRINGES	7,706,770	8,667,178	8,812,148	1.67%
TRANSFERS	13,499,247	13,422,900	13,242,771	-1.34%
CONTRACTUAL SERVICES	4,761,831	5,238,130	4,888,940	-6.67%
OTHER	6,650,281	6,748,226	6,908,430	2.37%
OVERHEAD	2,220,445	2,521,763	2,648,256	5.02%
SUPPLIES	1,206,558	1,297,787	1,375,208	5.97%
UTILITIES	755,011	767,693	800,329	4.25%
INSURANCE PREMIUMS	1,270,417	1,333,938	1,400,635	5.00%
STAFF DEVELOPMENT & TRAVEL	346,753	395,816	357,578	-9.66%
INSURANCE BENEFITS AND CLAIMS	11,125	11,681	12,265	5.00%
INTEREST EXPENSE	10,986	10,991	9,230	-16.03%
PENSION BOND DISTRIBUTION	-	-	-	na
DEBT SERVICE	430,663	432,398	433,848	0.34%
CAPITAL OUTLAY	344,376	243,969	13,218	-94.58%
<b>TOTAL EXPENDITURES</b>	<b>57,022,382</b>	<b>59,888,823</b>	<b>60,317,765</b>	<b>0.72%</b>
<b>Net General Fund Surplus (Deficit)</b>	<b>(2,168,896)</b>	<b>(2,274,578)</b>	<b>(2,705,181)</b>	
SPECIAL ITEM	-	-	-	
<b>Net General Fund Surplus (Deficit) after Extraordinary Item</b>	<b>(2,168,896)</b>	<b>(2,274,578)</b>	<b>(2,705,181)</b>	
<b>Unassigned Fund Balance, beginning of year</b>	<b>13,162,499</b>	<b>11,840,264</b>	<b>10,361,609</b>	
Changes within fund balance categories	846,661	795,923	9,104.00	
<b>Unassigned Fund Balance, end of year</b>	<b>11,840,264</b>	<b>10,361,609</b>	<b>7,656,428</b>	