

FY2025 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 FY2025 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 FY2025 compared to the FY2024 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 5% in FY2025. State Revenues are expected to increase by approximately 4% overall in FY2025. The State Revenue Sharing allocation assumes a 6% increase in FY2025 which is offset by the remaining State funding remaining flat, for an overall 4% increase in the State Revenue category. Contributions from Private Sources is anticipated to increase by 5% due to trends in the Energy Efficiency program, which provides relief to low income households that need certain qualifying energy improvements made to their homes. Federal Revenues and Fines and Forfeitures are expected to see modest increases based on historical trends. Inter-fund Transfers In are anticipated to decrease by 100% in FY2025 due to a FY2024 budgeted transfer from Delinquent Tax fund that is not expected to occur in FY2025.

Expenditure Narrative: Expenditures overall are expected to increase by approximately 6% in FY2025 compared to the FY2024 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. Salaries are expected to increase by 13% in FY2025 compared to FY2024. There are a few factors that contribute to this. First, in FY2023, the County of Muskegon contracted for a comprehensive County-wide salary study to be performed. This salary study was complete and released after the FY2024 budget process was finalized. The result of this salary study was that an average 7% increase in wages could be expected for most County employees. This plan was proposed to the County Board of Commissioners and was approved for implementation in October 2023. Second, all union contracts expired on 09/30/2023. As of this writing, most bargaining units now have ratified agreements in place for the next 3-5 years. One result was an approved general salary increase of 3% to be effective October 2024. In addition, the structure for Cost of Living and Longevity payments changed significantly which results in an estimated 27% increase in costs associated with these two payments that occur every December. Traditionally, we have assumed these costs to remain flat from year to year. However, this along with the other increases that resulted from the salary study and union negotiations were not included in the FY2024 budget, so the increase from FY2024 to FY2025 is higher than normal. Finally, it is generally 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 FY2025. Generally, a merit increase amounts to an approximate 3-4% increase in pay and this affects salaries as well as percentage-based fringe benefits. All of these factors contribute to an approximately 13% increase in salaries for FY2025.

FY2025 Projected General Fund budget narrative (continued)

Fringe benefits are expected to increase 12% for FY2025 compared to the FY2024 budget. Employer percentage-based expenses increase in proportion to the increases in regular wages, COLA and Longevity. Medical, dental, and vision insurance are expected to increase 3.5%, 5%, and 1% respectively, primarily due to anticipated premium increases. Pension costs are expected to increase 32% resulting from the most recent actuarial valuation and the impact of the annual payment on the County of Muskegon's pension obligation bonds. Pension costs are expected to level out with modest increases beginning in FY2026. The moratorium on charging for Other Post-Employment Benefits (OPEB) continues as the OPEB trust fund funding status is currently 142%, meaning the OPEB trust fund plan assets are greater than the total trust fund liability. All of these factors contribute to an approximate 12% increase in fringe benefit costs for FY2025.

Other Expenses, Overhead, Insurance, Utilities are all expected to increase in FY2025 by approximately 4%-5% due to an inflationary increase assumption of approximately 6% offset by minor reductions within the same categories. Interest expenses for FY2025 are expected to increase approximately 41% due to anticipated increases in miscellaneous bank service charges. Capital outlay costs are expected to decrease significantly in FY2025 due to several capital projects that were approved in the FY2024 adopted budget that are not expected occur in FY2025. Transfers are expected to increase overall by just over 3% in FY2025. Many of the factors stated above are included in departments that receive a General Fund subsidy. The Budget Surplus use categories represent costs from departmental reserves that were created for departments that were able to stay under budget for a given year, beginning in FY2022. The amount that a department was under budget by went into a separate reserve that could be used for one-time spending needs. It remains unknown what budgetary surplus reserves will be available in FY2025, so there is no planned surplus use for FY2025.

All other cost increases expected in FY2025 are largely due to an expected inflationary increase of 6%.

MUSKEGON COUNTY
FIVE-YEAR FINANCIAL FORECAST
MUSKEGON COUNTY
FY2024-25 GENERAL FUND FORECAST
SUMMARY OF REVENUE AND EXPENDITURE CLASSIFICATIONS

Fiscal Year:	Revised	Adopted	Estimate	% change
	Budget	Budget		2023-24 Adopted
	2022-23	2023-24	2024-25	2024-25 Estimate
REVENUE CLASSIFICATIONS				
TAXES	33,775,712	35,293,494	36,881,166	4.50%
CHARGES FOR SERVICES	8,469,230	8,489,248	8,571,091	0.96%
STATE	6,981,050	7,233,079	7,491,966	3.58%
TRANSFERS IN	1,353,034	2,031,720	-	-100.00%
CONTRIBUTIONS FROM PRIVATE SOURCES	5,990,000	4,690,000	4,924,500	5.00%
OTHER REVENUE	3,165,428	3,155,743	3,051,058	-3.32%
FINES AND FORFEITURES	486,915	477,850	492,405	3.05%
FEDERAL	157,674	54,938	56,924	3.61%
RENTALS	136,375	152,379	153,902	1.00%
INVESTMENT INCOME	190,033	190,000	190,000	0.00%
SPECIAL ASSESSMENTS	80,019	84,621	84,621	0.00%
LICENSES AND PERMITS	8,200	7,000	7,070	1.00%
GAIN ON SALE	-	-	-	0.00%
INTERGOVERNMENTAL REVENUE	-	-	-	0.00%
PENSION BOND PROCEEDS	-	-	-	0.00%
UNCLASSIFIED	-	-	-	0.00%
TOTAL REVENUES	60,793,670	61,860,072	61,904,703	0.07%
EXPENDITURE CLASSIFICATIONS				
SALARIES	19,861,027	19,463,480	21,954,651	12.80%
FRINGES	8,477,268	8,914,302	9,983,604	12.00%
TRANSFERS OUT	13,547,237	14,351,712	14,814,116	3.22%
CONTRACTUAL SERVICES	4,858,084	5,003,159	5,076,302	1.46%
OTHER EXPENSE	8,576,370	7,684,066	7,969,965	3.72%
OVERHEAD	2,553,854	2,894,248	3,038,773	4.99%
SUPPLIES	1,278,977	1,466,182	1,469,629	0.24%
UTILITIES	769,460	774,500	807,794	4.30%
INSURANCE PREMIUMS	1,328,005	1,394,405	1,464,125	5.00%
STAFF DEVELOPMENT & TRAVEL	400,371	397,609	385,546	-3.03%
INSURANCE BENEFITS AND CLAIMS	16,337	17,154	18,012	5.00%
INTEREST EXPENSE	16,836	10,191	14,468	41.97%
PENSION BOND DISTRIBUTION	-	-	-	na
DEBT SERVICE	432,398	433,848	430,013	-0.88%
CAPITAL OUTLAY	193,116	153,176	33,219	-78.31%
BUDGET SURPLUS	1,498,177	912,944	-	-100.00%
BUDGET SURPLUS (CONTRA)	(591,638)	(87,422)	-	-100.00%
TOTAL EXPENDITURES	63,215,879	63,783,554	67,460,217	5.76%
Net General Fund Surplus (Deficit)	(2,422,209)	(1,923,482)	(5,555,514)	
SPECIAL ITEM	-	-	-	
Net General Fund Surplus (Deficit) after Extraordinary Item	(2,422,209)	(1,923,482)	(5,555,514)	
Unassigned Fund Balance, beginning of year	12,927,584	12,045,300	12,045,300	
Changes within fund balance categories	1,539,925	1,923,482	12,647.00	
Unassigned Fund Balance, end of year	12,045,300	12,045,300	6,502,433	